Working

THE ONTARIO CASINO CORPORATION

THE ONTARIO LOTTERY CORPORATION

101-02889/

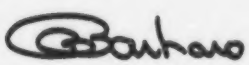
September 2000

Honourable Chris Hodgson
Chair of Management Board of Cabinet
Ferguson Block
Toronto, Ontario

Dear Minister:

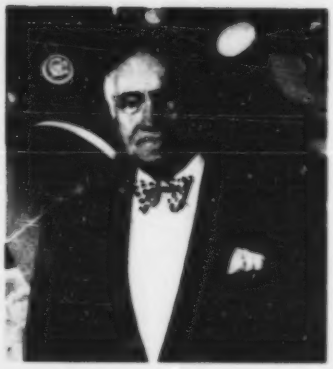
On behalf of the Boards of Directors of the Ontario Casino Corporation and Ontario Lottery Corporation, I have the honour to submit to you the Annual Reports of the Ontario Casino Corporation and Ontario Lottery Corporation for the fiscal year ended March 31, 2000.

Respectfully submitted,



Ron D. Barbaro
Chair
Boards of Directors
Ontario Casino Corporation and Ontario Lottery Corporation

Message from the Chair and CEO of the Ontario Casino Corporation and the Ontario Lottery Corporation



Ron D. Barbaro, Chair and CEO, Ontario Casino Corporation and Ontario Lottery Corporation

Another fiscal year has come to an exciting conclusion for Ontario's vibrant gaming corporations. As the Chair and Chief Executive Officer (CEO) of both the Ontario Casino Corporation (OCC) and the Ontario Lottery Corporation (OLC), I am delighted to introduce the Annual Reports of the OCC and OLC for fiscal year 1999-2000. These two reports reflect the corporate-wide achievements of those who work diligently for the people of Ontario in providing exciting and unique entertainment experiences to our many adult gaming customers.

We Are Making History

During fiscal 1999-2000, history continued to be made within the Ontario gaming business. Our two Crown corporations set an enviable pace of development and activity that led to significant financial benefits for the Province and the people of Ontario. Groundbreaking initiatives were executed in various divisions during this period, bringing immediate results and positioning us for further success in the years to come.

1999-2000 marks the last fiscal year in which the two Crown corporations operated as separate reporting entities. In November 1998, the Government of Ontario took the bold step of cross-appointing the Boards of Directors of the OCC and OLC. The longer-term objective was the merger of these two corporations – each bringing its own expertise – into one efficient entity. We reached that historic milestone on April 1, 2000. This is an exciting and significant step toward a single vision for Ontario's gaming industry.

One of our greatest challenges and achievements during the year, the slot-machines-at-racetracks initiative introduced a new entertainment option to millions of Ontarians. Expanding on the success of the slot facilities at Windsor Racetrack, launched in December 1998, we opened eight new operations at racetracks, for a total of nine sites. Woodbine Racetrack Slots – a spectacular showcase and the most recent and largest racetrack slot operation in Ontario – opened in the Greater Toronto Area on March 27, 2000. As we move into the new fiscal year, we are committed to opening up to seven additional locations.

Another milestone was set by the opening of three pilot charity casinos: one in Sault Ste. Marie on May 19, 1999, another in Brantford on November 17, 1999 and the third, the Point Edward Charity Casino on April 18, 2000. Revenues from these operations are flowing to Ontario charities through the Ontario Trillium Foundation's $100 million fund. On May 3, 2000 the corporation opened a slot machine operation at the Great Blue Heron Charity Casino, located on the Mississaugas of Scugog Island First Nation near Port Perry, Ontario. By late summer 2000, a fourth pilot charity casino – the Thunder Bay Charity Casino – will open.

On the traditional lottery front, we developed two exciting new games. The wildly popular new INSTANT game, CASH FOR LIFE, was launched on January 18, 2000 and was immediately established as one of our most successful INSTANT game launches ever. Ticket players lined up to purchase the $4 game, which offers $1,000 a week for life as a top prize. We had an outstanding $51.2 million in sales during the first 40 days it was on the market. During this year we also prepared for the April 2000 launch of a unique on-line game called WINNER TAKE ALL, a daily draw game that guarantees a

single jackpot winner for every draw. The payout on the top prize is 50 per cent of cash sales for that draw day. This year, more than $1.1 billion was paid out in lottery prizes.

In an effort to further integrate Ontario's gaming industry, lottery products became available at most OLC/OCC gaming sites during the year. All commercial casinos – except Casino Rama, which will sell lottery tickets later this year – all charity casinos and all slot operations at tracks now operate lottery booths at their sites.

This year was also an outstanding one for our commercial casinos. Casino Windsor has been exemplary in meeting direct competition from two casinos across the river in Detroit, Michigan. Two new premium player areas – one for slots and another for table games – have further distinguished our entertainment product from the US competition. Casino Niagara remains the number-one commercial tourist attraction in Canada and excitement is mounting in anticipation of the groundbreaking on a planned multi-million dollar casino complex including hotel and related tourist attractions. Once again this year, our patrons have spoken: a Toronto newspaper poll voted Casino Rama the most popular Ontario casino for the third consecutive year. We are building on that popularity by preparing to transform Casino Rama into a destination resort with an exciting four-star, 300-room, all-suites hotel and a 5,000-seat multi-purpose entertainment complex.

Entertainment & Responsibility – Hand-In-Hand

Our popular gaming activities are provided to adult Ontarians and visitors to our province for their enjoyment, relaxation and fun. Whether it's playing at one of our three commercial casinos, three smaller pilot charity casinos, slot-machine operations at nine race tracks or enjoying our traditional lottery products, we take pride in delivering first-class gaming entertainment in a socially responsible manner.

As part of OCC's and OLC's activities as collaborative partners in public awareness initiatives designed to promote responsible gambling, this year the corporations moved to post the province's problem-gambling helpline on every slot machine in Ontario.

The Benefits

Gaming-generated revenues and corporate spending directly and indirectly benefit the residents of Ontario. Primarily, gaming proceeds flow into the government's Consolidated Revenue Fund to support provincial priorities such as health care.

Other winning beneficiaries include local and provincial charities that now have access to $100 million annually through the Ontario Trillium Foundation – monies that flow from charity casinos and slots at racetracks. This $100 million is over and above the $12.3 million paid in fiscal 1999-2000 to local charities from the SUPERSTAR BINGO initiative.

Municipalities hosting pilot-charity-casinos and the slot-machines-at-racetracks initiatives also receive a portion of revenues, which they apply to local needs. The total amount paid out to Ontario municipalities by June 30, 2000 is expected to be $26 million.

continued on page 4

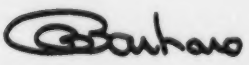
The rejuvenated horse-racing industry is another major winner. Along with the enormous success of the slots-at-racetracks program, wagering on horse races has increased by an average of 20 per cent. And with their portions of the slot revenues, host tracks have been able to offer more racing days as well as significantly increased purses, resulting in better quality horses and more customers through the turnstiles.

Ontario's First Nations are also big winners with 65 per cent of the net profits from Casino Rama designated for First Nations peoples throughout Ontario to assist in community and business development and the other 35 per cent directed to the local Mnjikaning First Nation – 50 per cent of which is earmarked for development projects that will complement the casino. The Casino Rama Revenue Agreement, which was outstanding at the end of the fiscal year, reached a successful completion in early June 2000. Accordingly, more than $400 million in profits accumulated since the casino first opened has begun to flow to Ontario's First Nations people.

Job creation remains the cornerstone of the myriad economic benefits created by our gaming initiatives. The three commercial casinos have created more than 11,500 direct jobs; the three pilot charity casinos, 2,249 direct jobs; and the nine racetrack slot operations, 2,384 direct jobs.

Teamwork

Our greatest asset, our staff, under the leadership of our executive team – Brian Wood, Chief Operating Officer; Tom Dalton, Vice President and Chief Financial Officer; Alan Berdowski, Senior Vice President, Lottery Division; Paul Micucci, Vice President, Racetrack Development and Operations; Bob Kozniuk, Vice President, Charity and Aboriginal Casinos; Walter Fioravanti, Vice President Human Resources; Antonio Carvalho, Vice President, Commercial Casinos; Michael Nieder, Vice President, Information Technology and Ingrid Peters, Vice President and General Counsel – has worked diligently this past fiscal year to meet business targets.



Ron D. Barbaro

Chair and CEO of the Ontario Casino Corporation and the Ontario Lottery Corporation

Ontario Lottery and Gaming Corporation

Société des loteries et des jeux de l'Ontario

Ontario Casino Corporation
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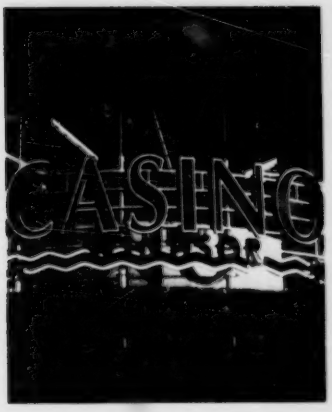
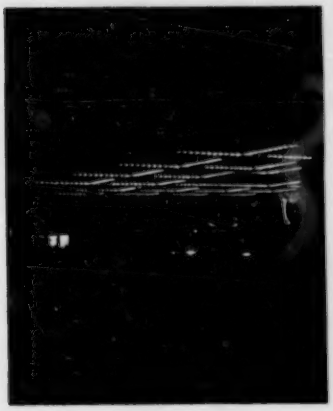
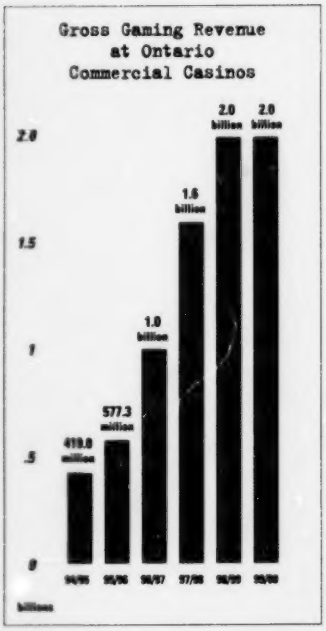




Ontario Casino Corporation



Goals

- to provide high quality entertainment in a socially responsible manner with a high level of integrity
- to provide revenue and programs for public education about and prevention of problem gambling
- to ensure a tightly controlled and secure gaming environment
- to act as a catalyst for community economic development
- to create jobs
- to promote the tourism and hospitality industries
- to generate revenue for Ontario charities and provincial priority programs

Mission

- to provide a top quality, unique and entertaining gaming experience to patrons, in a socially responsible manner and a secure environment, so as to create jobs, enhance economic development, promote tourism and generate revenue for the people of Ontario.

Statement of Values

In all we do, we...

Respect: treat each other, our customers and our stakeholders with respect and dignity, recognizing each other's contributions.

Openness: actively share ideas and information, limited only by the appropriate use of confidentiality.

Integrity: conduct our business in an ethical, fair and honest manner.

Positive Work Environment: foster a dynamic, flexible work environment, enabling all employees to develop and to make their fullest contribution.

Public Responsibility: deliver gaming entertainment to maximize economic benefits in a socially responsible manner.

Customer Service Excellence: focus on our customers, providing value, fun and entertainment.

Initiative: innovate and champion disciplined, continuous improvement.

Judgement and Professionalism: ensure all decisions and actions are timely, informed and aligned with corporate objectives.

A Dramatic year of change for Ontario's multi-billion dollar gaming industry

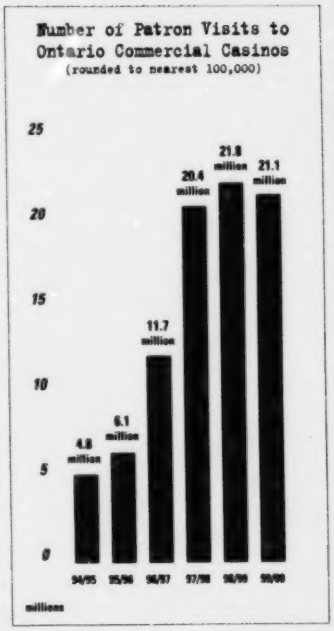
Roll the dice, call your horse, place your bets. No matter how you look at it, this year has been a dramatic year for the Ontario gaming industry. Lotteries, casinos, slots-at-racetracks and SUPERSTAR BINGO continue to grow exponentially – generating billions of dollars for this province.

At the government level, three bodies share responsibility for the gaming industry. The Management Board Secretariat is responsible for the province's lotteries, commercial casinos, aboriginal casinos, charity casinos and slot machine program. The Ministry of Consumer and Commercial Relations is responsible for bingos, break-open tickets and horse racing; and the Alcohol and Gaming Commission of Ontario is responsible for regulating the gaming industry in Ontario.

The operation of the provincial gaming industry has traditionally been divided between two crown corporations. The Ontario Casino Corporation manages all commercial and Aboriginal casinos in the province. The Ontario Lottery Corporation is responsible for lotteries, charity casinos and the slots-at-racetracks program.

In a move to streamline and focus this burgeoning industry, the Ontario government cross-appointed the boards of directors of the Ontario Casino Corporation and the Ontario Lottery Corporation followed by the cross-appointment of Chair Ron D. Barbaro. The process of merging the two corporations continued during fiscal 2000, culminating with the creation of the new Ontario Lottery and Gaming Corporation (OLGC) on April 1, 2000.

With facilities now in 20 different locations around the province, our combined staff grew to more than 5,200 this year. Together, new and senior staff share responsibility for developing gaming and gaming-related activities in a manner that continues to exhibit integrity and a strong sense of social responsibility.



Corporate Responsibility

Creativity and inventiveness will produce inspired solutions to the challenges we face.

Ron D. Barbaro, Chair and CEO
Ontario Casino Corporation &
Ontario Lottery Corporation

Problem Gambling – the bigger picture

As part of its strategy to deliver well-Regulated, Responsible and Responsive gaming – the three R's – the Ontario government has allocated two per cent of gross revenue from the annual charity casino and slot-machines-at-racetracks (or a minimum of $10 million annually) to fund research, prevention and treatment programs for problem gamblers.

Together with programs offered by its commercial casino operators, the OCC fully supports the strategy of the Ministry of Health and Long-Term Care program and, in particular, the funding of creative initiatives to prevent problem gambling. The Young People's Responsible Gambling Drama Project is one example. This pilot program carries a message of prevention to high school students around the province. In cooperation with the University of Toronto, the Ministry of Health also launched a pilot program that focuses on prevention and treatment of adolescent gambling problems.

At the other end of the age spectrum, the OCC recognizes the unique challenges faced by seniors addicted to gambling. To assist in a proactive strategy, the Ministry of Health and Long-Term Care funds counselling, crisis intervention and advice for older adults. St. Joseph's Care Group in Thunder Bay, the Plummer Addictions Treatment Clinic in the district of Algoma and the Hotel Dieu Hospital Addiction Services in St. Catharines have all received special funding for prevention and education programs aimed at this specific demographic.

The Centre for Addiction and Mental Health in Toronto devised a holistic strategy to help women with gambling problems, as well as their families. Researchers and counsellors will share the lessons derived from this innovative approach with the Amethyst Women's Addiction Centre in Ottawa-Carleton.

The OCC and OLC work hand-in-hand with the Canadian Foundation on Compulsive Gambling (CFCG) to ensure that all gaming sites have effective policies that raise awareness of both employees and patrons. In addition to education and awareness programs for all staff, the OCC and the OLC are in the process of posting the toll-free number for Ontario's Problem Gambling Helpline on all slot machines in all gaming sites – including the charity casinos, slots at racetracks and commercial casinos – as well as on ATM's at Casino Windsor. This is a confidential number that provides information and referrals to 45 treatment centres 24-hours-a-day.

Problem gambling is an invisible addiction that affects between two and four per cent of the public. The signs are not always easily identified, except to those specifically trained to recognize the nuances. The OCC recognizes its responsibility to educate supervisors to recognize "when the fun stops being fun" and to offer patrons public education materials and prevention programs geared to early identification of addiction to gambling.

In confronting the challenge of problem gambling, there is a delicate line to toe: respect for individual privacy is weighed against a corporate responsibility to respond to problem gamblers. Respect and Respond – these two "R's" form the foundation for training offered to our gaming staff.

Casino Windsor is developing a new training program aimed at designated managerial and supervisory staff. Through sophisticated training techniques including role-playing, they will learn to identify the signs of problem-gambling among their patrons.

Casino Rama contributes funding to the Mnjikaning First Nation to address problem gambling within its own community and neighbouring First Nations. All supervisory staff receive the on-site "Keep the Fun in Gambling" education sessions.

In 1999, Casino Niagara launched a new initiative to strengthen its Responsible Gambling Program, in concert with Hyatt Gaming Services properties world-wide. The Niagara Falls casino will act as the pilot program in this initiative, expected to begin in mid-2000. It is a multi-pronged, proactive approach using individual campaigns to target customers, employees and the community-at-large, and to prevent under-age gambling.

With assistance from the Canadian Foundation on Compulsive Gambling, Casino Niagara provides on-going training for its employees. The public relations department runs a special back-of-the-house program that also targets employees who may encounter gambling-related problems.

The OCC is particularly alert and vigilant in preventing under-age gambling. Age access rules are strictly enforced at all three commercial casinos. Ontario has the harshest penalties in Canada for offering gambling products to minors.

Each commercial casino has a self-exclusion program in which individuals can ask staff to prevent them from entering the casino. This information is shared between all three commercial casinos. In late 1999, the program was expanded to include all Ontario Lottery Corporation gaming sites. The self-exclusion remains in effect for an indefinite period. After six months, reinstatements can be requested in writing only. A third self-exclusion in a three-year period results in a three-year ban.

All advertising is closely monitored for any variance from the Gaming Control Act regulations and OCC operational guidelines.

As part of its ongoing partnership with the CFCG, the OCC and all three commercial casinos were key sponsors of the Foundation's annual conference this year in Niagara Falls.

Responsible gaming is a shared goal. The Canadian Foundation on Compulsive Gambling is pleased to work with the Ontario Casino Corporation and many other organizations in building programs to minimize the risk of problem gambling.

Jon Kelly, Executive Director, Canadian Foundation on Compulsive Gambling

Safe Streets, Secure Communities

The commercial casinos make safety and security a top priority.

Windsor's crime rate is at its lowest level in nearly 30 years. In 1999, the number of reported crimes fell by 16 per cent with 330 fewer break-and-enters and 200 fewer car thefts. Property crime fell almost 20 per cent. Although these numbers reflect a national trend, a strong economy generated in part by the vibrant role of Casino Windsor has made a difference.

Niagara attracted more than 10 million patrons last year with no significant increase in crime. The Casino Patrol unit – 25-member police team funded completely by the casino – continues to exert a strong community-based presence in all three communities. Of course, the Ontario Provincial Police as well as Canada Customs and Revenue Agency work with local police to circumvent organized crime.

The Alcohol and Gaming Commission of Ontario also works with US and international gaming jurisdictions to share security information. Full background checks on employees ensure the highest standards of honesty and integrity.

Members of Casino Niagara's security team receive an award on behalf of their department for service excellence.

A catalyst for the record $1 billion in tourism spinoffs for Windsor, Essex.

Casino Windsor

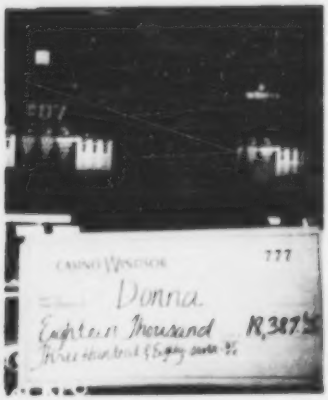
Meeting the Competition Head-on

Casino Windsor's monopoly over the local casino market is officially over. In the afterglow of its fifth anniversary, this premier gaming facility has met the competition head-on. Three US Casinos – including the Detroit MGM Grand (with 2,450 slot machines and 80 table games) and Motor City Casino (with 2,618 slot machines and 136 table games) – hope to win back the American clientele who make up 80 per cent of Casino Windsor patrons. The competition will grow even stiffer when the Greektown Casino opens in the coming year. While the number of visitors dropped 10 to 15 per cent with the opening of the Detroit casinos, overall revenues continue to be strong. Casino Windsor remains one of the most profitable casinos in North America.

By the time Casino Windsor moved to its permanent home in 1998 – two years before slot machines began ringing across the river – it was already preparing for an increasingly competitive environment. The casino's operator, Windsor Casino Limited, owned by Caesars World Inc. and Hilton Hotels Corporation has not simply relied on its first-class facility but has systematically and creatively built customer loyalty with high-profile attractions and continued site upgrades.

"Float Like a Butterfly, Sting Like a Bee." It could be the Casino Windsor motto for meeting the competition, but it was the clarion call of boxing legend Mohammed Ali, and it echoed again when Laila Ali climbed into the ring at Casino Windsor. By invitation only, a capacity crowd of 900 premium players thrilled as the daughter lived up to her father's name.

A four-diamond 389-room hotel complements five restaurants. And, the popular ShowTime lounge has been newly renovated to include a 232-seat venue and a line-up of major stars from yester-year, including Davy Jones – "Hey, hey, we're the Monkees!"



A lucky day at the slots at Casino Windsor.

For Players with Pull

In Mid-December, the exclusive table-game space, Canadian Club® Salon, opened for premium players – Las Vegas style. Patrons enter the Canadian Club® Salon primed for a unique experience – 557 square meters of soft lights, big dreams and even bigger payouts. This $13-million deluxe salon is a self-contained "casino within a casino."

Another premium experience awaits those who enter the new Canadian Club® Slots area, Canada's first exclusive slot machine facility. Visitors enjoy the elegant 1920s theme, with murals that depict scenes from the decade of bootleggers, speakeasies and flappers.

The 209 new slot machines, as well as the Canadian Club® Salon, represent an on-going vibrant partnership between Windsor's newest business and its oldest – Hiram Walker and Sons Limited.

In response to the popularity of craps, which were introduced last year in order to level the playing field for Ontario casinos with their American counterparts, Casino Windsor tripled the number of tables this year. Try elbowing your way towards the action around any one of the six crap tables on the floor and you will sense the excitement that makes this game one of the most popular on the floor.

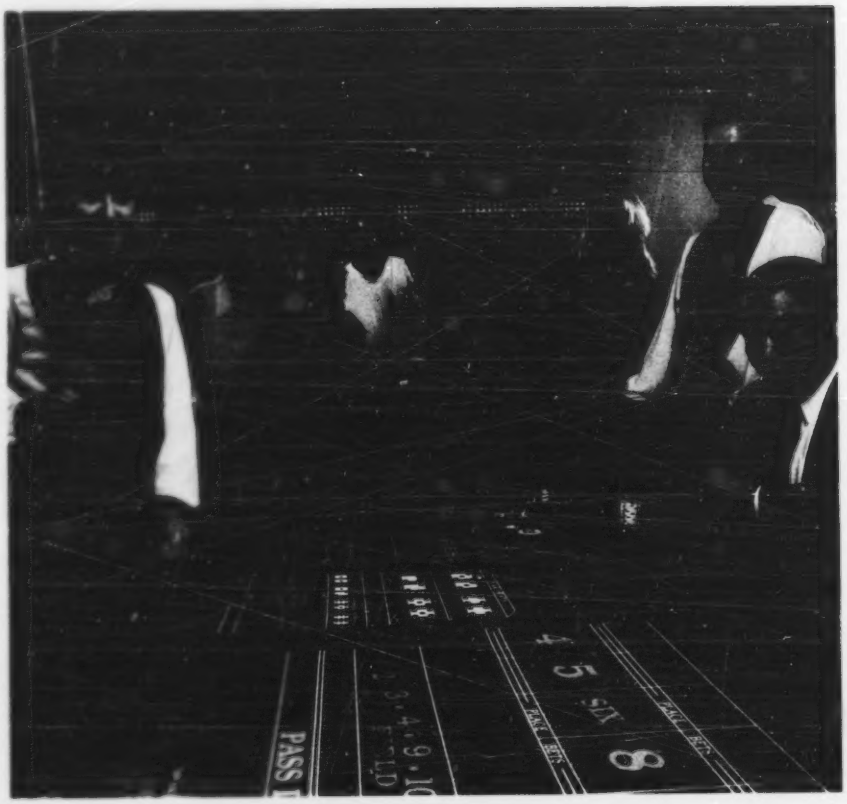
Change and Adapt

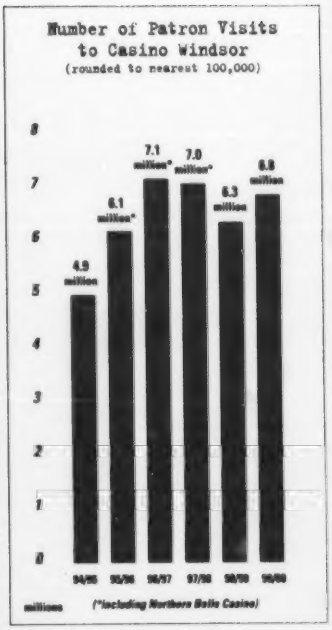
When Casino Windsor opened in 1994, it was one of the largest gaming facilities in North America. As the Windsor-Detroit area becomes known throughout North America as a gaming destination, increasing competition could grow the gaming market to as much as $2.5 billion once the permanent casinos are built.

Casino Windsor building on its current strengths – including, a favourable exchange rate for US customers – has launched an aggressive billboard campaign stateside, reminding drivers that each US dollar buys six quarters across the river.

The safety, security and hospitality of the Windsor community are important, continuing and growing advantages. In a 1999 visitor information survey conducted by the Convention and Visitors Bureau of Windsor, Essex County and Pelee Island, visitors to Windsor rated overall customer service in that community a 10. That is a significant increase over the previous year's results which rated customer service as a seven.

In pursuit of the elusive 21!





Craps – the best spectator show on the floor if you can stake out a view.

Some Small House!

ca•si•no-(kä see nō)-noun

Mid-18th century. From Italian, literally "small house," from, ultimately, Latin casa "house."

The two-tier casino that dominates Windsor's skyline offers 3,072 slot machines and 108 table games. With the highest win among the three commercial casinos, Casino Windsor reached $839 million in gross gaming revenue this fiscal year. Despite the competition from Detroit, total attendance for the year hit 6.8 million, compared to last year's 6.3 million visitors.

Casino Windsor ***is part of the growing success of Windsor-area tourism – serving up first-class entertainment as well as delectables that dazzle the eye and delight the palate.***

Windsor's AA Rating

The continuing strong performance of Casino Windsor in the face of its first direct competition from Detroit gaming establishments helped the city to achieve a decade-old goal – an improved credit rating. In achieving an AA rating, Windsor now matches the province's credit rating.

A golden age for our region.

Roman Dzus, Deputy Development Commissioner

Windsor enjoys the third largest average household income in Canada. Housing and commercial development are at record levels. In 1997, Standard and Poor's Canadian division projected another 10 years of growth for the Windsor Census Metropolitan Area, based partially on the construction of Casino Windsor, inflating total construction values to $531 million. This year the casino generated $11.6 million in tax revenue for the city.

Creating jobs is a cornerstone in the mandate of the OCC. The Windsor Casino workforce has tripled since its first temporary casino. To date, the Windsor casino initiative has created 15,000 direct and indirect jobs. With more than 5,000 employees, the casino remains the largest employer in downtown Windsor and the second largest employer in the city.

The early nineties, when Windsor suffered with unemployment rates of 16 per cent now seems a distant memory. Statistics Canada rates Windsor as one of the most vibrant economic communities in Canada.

The Convention and Visitors' Bureau reported that for the first time, the economic spin-off from tourism in the Windsor, Essex County and Pelee Island area topped $1 billion for the year 1998-1999. Of the total $1.64 billion, $1.07 billion stayed in Windsor and Essex County. Eight and a half million visitors, mostly from the US, spent $800 million on accommodation, food, recreation, entertainment, transportation and retail.

These are fantastic numbers!

Elizabeth Hamel

Convention & Visitors Bureau of Windsor, Essex County & Pelee Island

Casino Windsor Cares

"Casino Windsor Cares." It's more than a slogan. It's a commitment to making a difference. Launched early in 1999 with a one million dollar donation to the Windsor and Essex County hospitals foundation campaign, this campaign has set a new standard of corporate citizenship.

In 1999/2000 Casino Windsor Cares sponsored an AIDS gala, hospice and hospital fundraising and various heritage projects such as the North American Black Historical Museum Restoration Fund. Casino Windsor donated $150,000 to be divided among seven Essex County projects including the building of a tall ship that will be moored in Amherstburg.

The Casino has proven itself to be an exemplary corporate citizen.

Richard Woodall

Club President, Windsor Roseland Rotary

In becoming a "Partner for the Environment," Casino Windsor Cares donated $250,000 towards protecting and enhancing the natural environment.

Last year, Windsor area food banks helped 107,000 people. Casino Windsor Cares donated $64,000 to 16 food banks, in addition to sponsoring an awareness campaign to help bring the dream of having no child go to bed without dinner or to school without a breakfast, a little bit closer to reality. The program also supported Habitat for Humanity in providing new homes for 10 hard-working and deserving Windsor area families. Casino Windsor Cares and Hiram Walker and Sons kicked off the 1999 United Way campaign, which helped 100,000 people last year, with a donation of $9.1 million.

Essex County is one of the most biologically diverse regions in Canada ... it is Casino Windsor's philosophy that we, as a company, share in the responsibility for the well-being of our community protecting and enhancing our natural environment which is vital to all areas of our well-being our health, our economy and our quality of life.

Jim Mundy

Casino Windsor

Making music and spreading good will. Ron D. Barbaro, Chair & CEO of OCC/OLC, takes a turn conducting the Windsor Symphony at Casino Windsor Cares "Concert Under the Stars," a community celebration held on the waterfront.

Helping Victims of Heart Attacks

Casino Windsor Cares set the pace in a campaign to put automatic life-saving defibrillators in public places in Windsor. The machines, about the same size as a laptop computer, save lives by enabling a rapid response to someone suffering cardiac arrest.

With a maximum response time of four minutes – Casino Windsor nurses have saved the lives of 15 people who suffered heart attacks. The casino's 65-per-cent save rate is nine times the rate elsewhere in the community.

Casino Rama

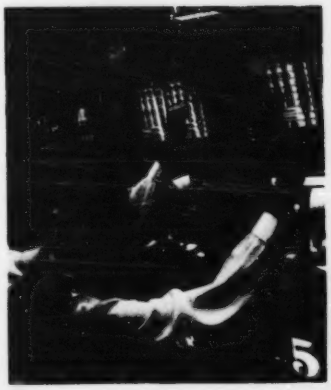
Casino Rama

A Millennium Dreamcatcher

In the ancient world of the First Nations, at the birth of new babies, magic webs were woven in the shape of circles. Dreamcatchers filter out the bad bwajiganaan (dreams) while the small hole in the centre allows the good dreams to pass with the first rays of sunlight.

In Spring 2000, the sun rose on a new deal by which $410 million from the profits of Casino Rama will flow to Ontario's First Nations. The monies will assist community development initiatives and business development ventures. The 600-member Mnjikaning First Nation will receive 35 per cent of the net revenues from Casino Rama – 50 per cent of which is earmarked for related developments to complement the casino. The balance will be directed to economic and community development, education, health and cultural projects.

Miigwech! (Thank you)



Your hosts are Mnjikaning First Nation. The exterior of the 75,000-square-foot casino is a dramatic expression of the Ojibway. Giant murals depicting Chippewa legends, stories and personalities greet the 4.6 million visitors who come here every year.

Casino Rama is the result of a dynamic partnership among the Mnjikaning First Nation, Carnival Resorts and Casinos and OCC. It continues to exceed expectations, grossing $538 million in gaming revenue in fiscal 2000. Since opening in 1996, it has generated $1.7 billion in gaming revenue, averaging $134 million in profit annually, as well as providing a first-rate entertainment facility.

The complex, near the eastern shore of Lake Couchiching, offers 24-hour-a-day play on more than 2,300 slot machines (from nickel to 100-dollar slots) and 112 gaming tables. At the tables, players can enjoy classics such as blackjack, craps, roulette, baccarat, poker as well as "sic bo," a game that originated in Shanghai centuries ago.

Dionne Warwick, Neil Sedaka, Wayne Newton, Anne Murray and Natalie Cole were just a few of the international stars who drew thousands to the prestigious summer series of big-name entertainment featured on Thursday evenings. The line-up, intended to broaden the casino-client base by offering new and exciting entertainment options, also creates an economic ripple effect throughout the local community and wider region, as people extend their stay beyond the traditional two-day weekend.

Casino Enhancements – building on success

Exciting Casino Rama has just become even more appealing with the introduction of a number of new attractions. Visitors will notice the upgrade to the Players Club and the inclusion of a new bus foyer with a spectacular shelter and lobby, all completed in the fall of 1999. The casino's on-going success is attributed in part to its ambitious bus-touring campaign, "Let it Ride to Casino Rama," which averages 56 busses every day.

The Dream Catcher Sports Lounge – one of the facility's many new developments – opened in May 2000 and illustrates the spirit of chasing and catching dreams. The bar encompasses more than 5,200 square feet, seats 244 and houses a hall of fame and memorabilia of Canadian – particularly First Nation – athletes.

Launching another new game at Casino Rama – *Pai Gow.*

A poker room, an Italian fine-dining restaurant, food court and additional gaming facilities are among the new attractions planned for 2000-2001. The interior of all food and beverage areas will tell a dynamic cultural story, set against a colourful backdrop of vivid Native imagery, authentic Mnjikaning artwork and natural materials indigenous to the local "Lake Country" landscape. All new areas will be thematically tied to First Nations' cultural teachings and linked by a Sweet Grass Path.

Tiles Anyone?

Casino Rama strives to remain a popular choice in a vibrant and competitive gaming entertainment market. For example, this fiscal year, Casino Rama became the first casino in Ontario to offer patrons the ancient Chinese betting game of Pai Gow, a game played with tiles.

Casino Rama marked another milestone this year as half-a-million people signed up for the Rama Players Card – the program in which players accumulate points using a special Rama passport.

Corporate Neighbour and Community Partner

> **a classic example of a corporation taking leadership within a community way beyond just donating dollars**
>
> *Jim Dykes, Past Board of Directors Chair*
> *The Community Foundation of the Orillia*

As a corporate neighbour and community partner, Casino Rama has established a Community Wellness Program, which draws on the tradition of the First Nations' Medicine Wheel. By supporting the community on all levels, Casino Rama seeks to help balance the mental, spiritual and emotional dimensions of individuals and the community as a whole.

This comprehensive program of support benefits more than 150 local community groups including support to women's shelters, sponsorship of the Aboriginal Music Awards and the new Awards for Excellence for Aboriginal Students.

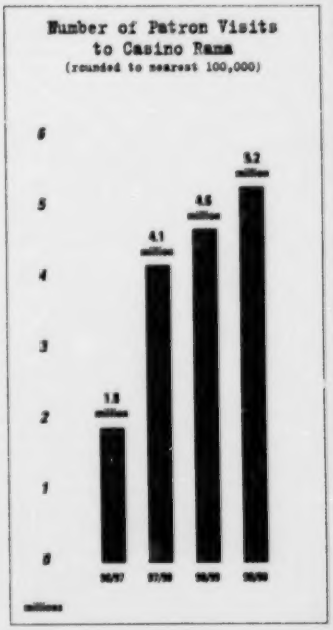
Casino Rama also continues to support the Community Foundation of Orillia, which it helped launch last year with $200,000 in seed money, followed by an additional donation of $150,000. This permanent capital fund is now well on its way to achieving its goal of one million dollars in endowed fund assets.

Largest Employer of First Nations in Canada

Four years ago, this tiny community of less than 1,000 was selected over 13 others in becoming the host site for Ontario's first Aboriginal casino. At the time, the unemployment rate in this community was 80 per cent. As a result of opening Casino Rama, 6,000 jobs (3,000 direct and 3,000 indirect) were created.

The making of a gaming destination – Casino Rama's hotel and entertainment centre is under development in 2000.

Today, Rama's unemployment rate has dropped to 10 per cent and the number of jobs in the Orillia area has increased by 38 per cent. Casino Rama is the largest single-site employer of First Nations people in Canada, employing 600 from across the country.



A Tourist Mecca

For the third year in a row, Casino Rama has been voted the most popular casino in Ontario by a Toronto newspaper poll. An economic impact study, prepared by an independent consultant for the Community Casino Task Force, found the casino attracted 4.6 million visitors to the Orillia area last year. Casino operations generated $862 million in economic activity of which $588 million (68%) benefited the local Orillia-area economy.

Based on the average for fiscal 1999/2000, more than 14,000 patrons a day visited the casino. The Orillia Hotel Association reports increases of up to 50 per cent in winter off-season occupancy, thus extending the tourist season.

The Dream Continues

I am a great believer in luck, and I find the harder I work the more I have of it.

Stephen Leacock (1869–1944)

British-born Canadian humorist and economist

To retain its competitive edge in a robust and growing industry, Casino Rama and its partners are creating a vision for the future. In addition to enhancing the existing casino to better cater to its clientele, the new fiscal year will mark the ground-breaking for an exciting, four-star, 300-room hotel and a 5,000-seat entertainment complex. This is the critical step forward in setting the stage for Casino Rama to distinguish itself as a gaming destination resort.

The new development will include 7,500 square-feet of meeting space, a recreation centre, health spa and two restaurants. Reinforcing the existing theme of Casino Rama (which celebrates First Nations culture), the design will also evoke the region's natural environment through the addition of a Lake Country theme. Highlights will include a large rotunda entrance that will be the architectural signature of the hotel and the setting for First Nations events. The rotunda will accommodate a First Nations Gallery and a giant sculpture of a fish weir, representing the traditional means of catching fish. The exterior of the 5,000-seat entertainment centre will feature First Nations artwork and a brightly-coloured frieze symbolic of the Wampum Belt. The main entrance to this complex will house the "Hall of Talking Rocks," where native artists will carve out Ojibway stories in rock formations.

Driving investment and tourism to record levels!

Casino Niagara

Casino Niagara

A Casino to Dazzle the World

Since opening in December 1996 as an interim casino, more than 30 million people have walked through the doors of Casino Niagara. It remains the number one commercial tourist attraction in Canada. Located across from the Rainbow Bridge, it boasts a spectacular architectural design with landscaped boulevards and colourful gardens.

Niagara Falls is now poised for the largest single tourism investment in the history of the region. Falls Management Company led by the Hyatt Development Corporation is initiating the development of a new complex that will feature a hotel, meeting space, retail mall, a multi-purpose entertainment facility, an off-site 12,000-seat amphitheater and a contribution to a monorail transport system.

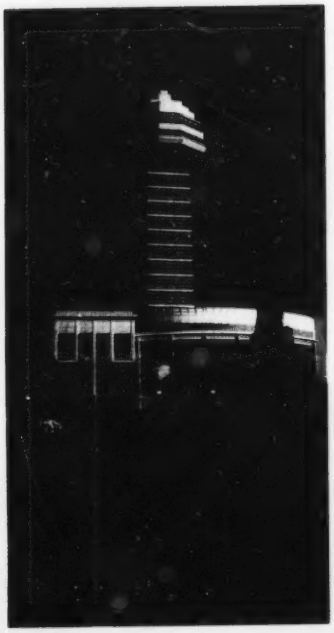
The development will also include the construction of River Country, augmenting the existing Marineland. This major family-oriented theme park will feature an indoor/outdoor amphitheater and entertainment venue as well as a picturesque lake, long sandy beach and Wild Raft ride.

Subject to final review by the OCC, Falls Management Company and the City of Niagara Falls, construction on the project will begin in fiscal 2001, creating 5,000 person-years of employment. The casino complex is projected to employ a total of 5,000 people.

The Niagara Region has already experienced tremendous tourism and economic growth since the casino opened in its interim location in December 1996. Building on the economic momentum created by the interim casino, the Niagara Falls Casino/Gateway Project will ensure that the Region continues to compete as a unique, first-class, year-round tourist destination.

Statistics Canada reports Niagara now enjoys its lowest unemployment rate since 1991. Since the casino doors opened, 6,000 direct and indirect jobs have been created. As Niagara Falls heads into the new millenium, economists forecast the largest four-year gain in employment since the 1980s.

A night out on the town at Casino Niagara – *Canada's most popular commercial tourist attraction.*



The interim **Casino Niagara** *overlooks the thundering Falls.*

Catalyst for Economic Development

The Bank of Montreal Report, "The Niagara Region Economy-Prosperity in 2000 and Beyond," states the number of job-creation projects valued at more than two million dollars has exploded as a result of Casino Niagara. Between 1996 and 1997, 43 projects were announced compared to two projects in the proceeding five years.

In 1999, new investments reached $160 million. Building permits increased 47 per cent over 1998. The deputy chief economist from the Bank of Montreal predicts another three to four years of solid economic performance in the Niagara region.

The tourism industry is expected to invest $1 billion over the next four years. By 2002, the number of visitors to the region is projected to be 20 million, double the pre-casino draw in 1996.

Casino Niagara generates in excess of $1.3 billion in economic activity annually for the province of Ontario.

The crane should be the official bird of Niagara!

Wayne Thomson

Mayor, Niagara Falls

Voted Best Casino 1999

More than 1.2 million on-line gaming consumers who participated in the 1999 Internet Gaming Awards™ survey gave top marks to Casino Niagara under the category "land-based casinos in Canada." Located in the heart of the Niagara Falls tourist district, Casino Niagara is owned by the Ontario government and operated by the Hyatt-led Falls Management Company.

The interim casino has more than 2,700 slot machines and 135 table games. For premium players, the Baccarat Room offers a dramatic view of Niagara Falls.

Aiming to Please

Casino Niagara works to sustain the loyalty of its clientele with many initiatives designed to anticipate and deliver what customers want. To the sound of "tickling ivories" of a grand piano, Casino Niagara's brand-new Twenty One Club opened its menu to gaming epicures. This premiere restaurant offers a significant wine reserve of more than 200 wines from around the world, including award-winning Niagara-area wines.

Patrons of Casino Niagara continue to enjoy "Niagara Nickels" where 130 new nickel slot machines have been added to the floor this year, for a total of 150. And, new table games have also been introduced – Sic Bo, Spanish 21, Casino War and of course, craps.

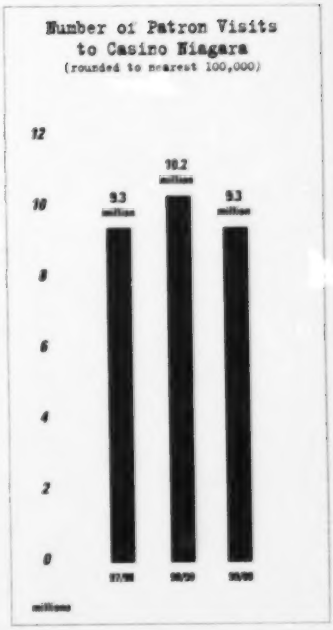
The legalization of dice games for the first time in Canadian history has electrified the action at Casino

Niagara in 1999. The opening of two craps tables last year proved so popular with patrons, the casino increased the number of tables to six.

Craps, is it popular? That's like asking if popcorn is popular at movie theatres!

Jay Meilstrup

General Manager, Casino Niagara



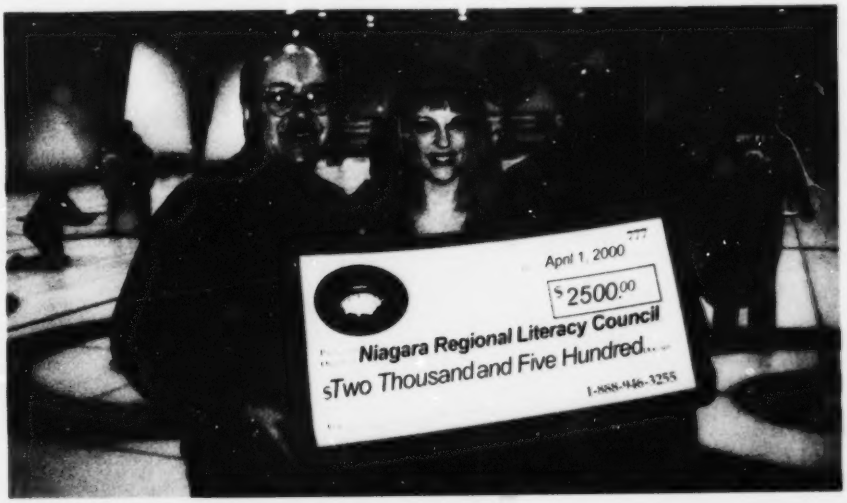
A Proud Corporate Citizen

To forge strong community relationships is to fulfill the corporate mandate. Again this year, Casino Niagara has proven itself to be proactive and progressive. In fiscal 2000, Casino Niagara laid the foundation for its ambitious "Casino Niagara Cares" program.

In May, Casino Niagara Cares unveiled this new community development program with a $1.2 million donation to the Hospitals Foundations for Niagara's three largest emergency departments and acute-care facilities. This capital donation will provide vital emergency-room equipment necessary to update and augment services at the Greater Niagara General Hospital, St. Catharines General Hospital and Welland County Hospital.

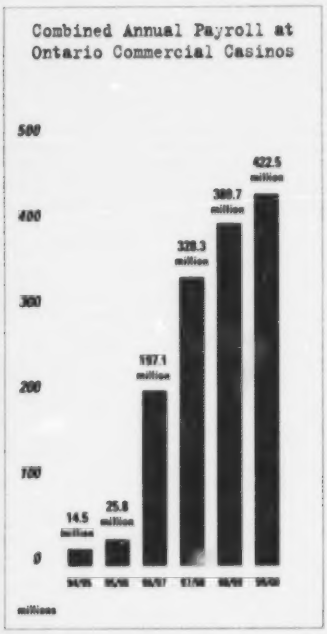
Casino Niagara Cares is the largest corporate sponsor in the Niagara region for the United Way. This year, it contributed $100,000 to enable this worthy organization the means to fund new programs.

Since the casino's opening in March 1997, its charitable donations/community sponsorship program has provided millions of dollars to a full range of worthy causes in the Niagara region including: the first



Reaching into the community to make a difference – Casino Niagara *is a leading corporate sponsor in the Region.*

Casino Niagara's *most important asset – its employees.*



regional MRI scanner, a state-of-the-art breast cancer screening facility and the Niagara Community Soup Kitchen. The casino also supports ongoing regional events (such as the International Marathon and Winter Festival of Lights), and research, including a grant for work in agriculture and viticulture at the laboratories of the Geographic Information System. In May 1999, the casino donated $250,000 to the Greater Niagara General Hospital's Auxiliary Women's Health Centre – one of 11 sites chosen by the Ministry of Health and Long Term Care to establish a complete health-care centre in the Region devoted to women.

But Casino Niagara shows its concern for community health in its own facilities as well. On-site nurses and security staff at Casino Niagara have also been trained and equipped for the use of state-of-the-art defibrillators to save lives of those who may suddenly suffer heart attacks.

Management's Responsibility for Annual Reporting

Management of the Corporation is responsible for the preparation of the consolidated financial statements and all other information included in this report. This responsibility includes the selection of appropriate accounting principles as well as making informed judgements and estimates in accordance with generally accepted accounting principles.

The Corporation maintains an appropriate system of internal control to provide reasonable assurance that relevant and reliable consolidated financial statements are produced and that Corporation assets are properly safeguarded. KPMG LLP, the Corporation's independent auditors appointed by the Board of Directors, are responsible for auditing the consolidated financial statements. Their report outlines the scope of their examination and their opinion on the consolidated financial statements.

The consolidated financial statements have been reviewed and approved by the Board of Directors and its Audit Committee. This Committee meets from time to time with management and the auditors who have direct access to the Committee.

Ron D. Barbaro
Chair and Chief Executive Officer

Tom Dalton
Vice President of Finance & Administration
and Chief Financial Officer

AUDITORS' REPORT

To the Board of Directors of Ontario Casino Corporation
and to the Chair of Management Board of Cabinet

We have audited the consolidated balance sheet of Ontario Casino Corporation as at March 31, 2000 and the consolidated statements of operations, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Toronto, Canada
June 1, 2000

CONSOLIDATED BALANCE SHEET

(in thousands of dollars) March 31, 2000, with comparative figures for 1999

	2000	1999
Assets		
Current assets:		
Cash and cash equivalents (note 2)	$ 301,001	$ 245,243
Accounts receivable	14,113	11,702
Inventories	4,523	4,725
Prepaid expenses and other	10,095	10,762
	329,732	272,432
Capital assets (note 3)	782,062	733,393
Pre-opening expenditures, net of accumulated amortization of $60,657 (1999 - $50,031)	–	10,626
Assets contributed to Chippewas of Mnjikaning and deferred charges (note 4)	17,401	21,555
Cash and short-term investments held in First Nations investment account (note 5)	410,098	254,543
	$ 1,539,293	$ 1,292,549
Liabilities and Provincial Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 95,750	$ 128,171
Due to Windsor Casino Limited (note 6)	–	21,922
Due to operators (note 6)	43,600	48,898
Due to Chippewas of Mnjikaning (note 6)	4,238	775
Current portion of long-term debt (note 7)	9,044	9,428
	152,632	208,994
Long-term debt (note 7)	6,331	15,028
Due to First Nations (note 5)	410,098	254,543
Provincial equity:		
Retained earnings	880,150	746,323
Reserves (note 2)	90,082	66,661
	970,232	812,984
	$ 1,539,293	$ 1,292,549

Commitments and contingencies (notes 5, 6, 11 and 12)

Subsequent event (note 13)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Ron D. Barbaro, Chair

Joanne DeLaurentiis, Director

CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands of dollars) Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Revenues:		
Gaming	$ 2,017,347	$ 1,979,433
Non-gaming	213,855	193,339
Investment income	9,526	8,271
	2,240,728	2,181,043
Less promotional allowances	100,614	83,971
	2,140,114	2,097,072
Costs and expenses:		
Gaming:		
Win tax (note 8)	403,346	395,865
Operations	417,183	360,972
	820,529	756,837
Non-gaming	136,454	108,695
Operators' fees (note 6)	124,739	98,274
General and administrative	162,230	153,868
Amortization	96,012	94,151
Lease and rental	12,213	17,365
Interest	1,721	7,602
Goods and Services Tax	34,637	29,001
Other	35,022	75,298
	1,423,557	1,341,091
Net income	$ 716,557	$ 755,981

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(in thousands of dollars) Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Retained earnings, beginning of year	$ 746,323	$ 645,906
Net income	716,557	755,981
Distributions to the Province of Ontario	(417,772)	(475,524)
Distributions to First Nations investment account (note 5)	(141,537)	(168,033)
Transfers to reserves, net:		
Capital renewals reserve	(6,012)	(6,094)
Operating reserve	(14,845)	(3,441)
Severance reserve	(2,564)	(2,472)
	(23,421)	(12,007)
Retained earnings, end of year	$ 880,150	$ 746,323

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of dollars) Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Cash derived from (applied to):		
Operating activities:		
Net income	$ 716,557	$ 755,981
Adjustments to reconcile net income to cash provided by operating activities:		
Amortization	96,012	94,151
Loss on disposal of capital assets	1,157	–
Unrealized foreign exchange (gain) loss	(834)	1,836
Change in non-cash operating items:		
Accounts receivable	(2,411)	1,199
Inventories	202	683
Prepaid expenses and other	667	2,607
Accounts payable and accrued liabilities	(32,421)	18,110
Due to operators	(5,098)	(14,822)
Due to Chippewas of Mnjikaning	3,463	23
	777,294	859,768
Financing activities:		
Repayments to Windsor Casino Limited	(21,922)	(73,002)
Repayments of long-term debt	(9,247)	(50,965)
	(31,169)	(123,967)
Investing activities:		
Acquisition of capital assets	(131,939)	(151,149)
Pre-opening expenditures	(431)	(7,622)
Deferred charges	998	(2,337)
Proceeds on return of Northern Belle Riverboat	–	6,713
Proceeds on disposal of capital assets	313	243
	(131,059)	(154,152)
Other:		
Distributions to Province of Ontario	(417,771)	(475,524)
Distributions to First Nations investment account	(141,537)	(168,033)
	(559,308)	(643,557)
Increase (decrease) in cash and cash equivalents	55,758	(61,908)
Cash and cash equivalents, beginning of year	245,243	307,151
Cash and cash equivalents, end of year	$ 301,001	$ 245,243
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,948	$ 15,975

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

Year ended March 31, 2000

with comparative figures for 1999

The Ontario Casino Corporation (the "Corporation") is a Crown agency of the Ontario government and is responsible for conducting and managing gaming at Ontario's three commercial casinos. The Corporation commenced active operations on April 1, 1994 and presently operates the following casinos:

Casinos	Commencement of operations
Casino Rama	July 31, 1996
Casino Niagara	December 9, 1996
Casino Windsor	May 17, 1994

On December 21, 1999 the *Ontario Lottery and Gaming Corporation Act, 1999* was passed in the legislature, with an effective date of April 1, 2000. On that date, the Corporation combined operations with the Ontario Lottery Corporation. The resultant corporation continues to carry on business as the **Ontario Lottery and Gaming Corporation ("OLGC")**. This corporation continues the management of lottery games, casinos and racetrack slot operations in Ontario.

The Corporation conducts the operation and manages the assets of Casino Rama for the benefit of the First Nations of Ontario. The excess cash flow derived from this casino is distributed to a First Nation Fund.

1. Significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements combine the assets, liabilities and results of operations of the Corporation and the commercial casinos, and consolidate the assets, liabilities and results of operations of the Ontario Gaming Assets Corporation, a wholly-owned subsidiary of the Corporation incorporated on July 9, 1998. The Ontario Gaming Assets Corporation was established to purchase capital assets which are leased to the Corporation.

(b) Gaming revenue and promotional allowances:

Gaming revenue represents the net win from gaming activities, which is the difference between amounts earned through winnings and payouts by the casino. The retail value of accommodation, food, beverage and other items provided on a complimentary basis to customers has been included in non-gaming revenues and a corresponding amount has been deducted as promotional allowances. Costs of providing promotional allowances have been included in non-gaming expenses.

(c) Inventories:

Inventories are stated at the lower of cost and net realizable value.

(d) Capital assets:

Capital assets are stated at cost. Amortization is provided and is calculated using the following annual rates:

Assets	Rate
Building, improvements and other development costs	Straight line over 10 to 50 years
Furniture, fixtures and equipment	Straight line over 3 to 10 years

Capital assets are amortized when brought into operations.

Interest on debt to finance major additions to capital assets is capitalized during the construction phase. The interest cost is determined using the interest rate on incremental debt incurred by the Corporation to finance these capital assets. Interest capitalized is amortized over the same period as the related asset.

(e) Pre-opening expenditures:
Certain expenditures, consisting of compensation, consulting and other costs incurred in connection with the development and opening of casinos, were deferred and amortized over periods ranging from one to three years.

(f) Assets contributed to Chippewas of Mnjikaning and deferred charges:
Assets contributed to Chippewas of Mnjikaning, consisting primarily of funding for the construction of a community centre, senior centre and certain infrastructure facilities, are amortized over the term of the related development and operating agreement. Deferred charges consist primarily of financing fees, which are amortized over a period of three years.

(g) Foreign currency translation:
Monetary assets and liabilities are translated at the year-end exchange rates. Non-monetary assets and liabilities are translated at the historical exchange rates. Statement of operations items are translated at the rate of exchange in effect as at the transaction date. Translation gains and losses are included in income in the period in which they arise, except for translation gains and losses relating to long-term debt, which are deferred and amortized over the estimated term of repayment.

(h) Use of estimates:
In conformity with generally accepted accounting principles, management of the Corporation has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period to prepare these financial statements. Actual results could differ from those estimates.

(i) Statement of Cash Flows:
Effective April 1, 1999, the Corporation adopted the new accounting requirements of The Canadian Institute of Chartered Accountants ("CICA") for cash flow statements. Under these new requirements, the statement of cash flows provides information with respect to changes in cash and cash equivalents and classifies cash flows during the period arising from operating, financing and investing activities. Previously, the Corporation presented a statement of changes in financial position, which provided information classified in a similar manner to the new statement of cash flows. The prior year results have been restated to conform with the presentation adopted for the current year.

2. Cash and cash equivalents:

Cash and cash equivalents include the below noted amounts which are held in separate bank accounts:

	2000	1999
Capital renewals reserve	$ 38,409	$ 32,397
Operating reserve	37,780	22,935
Severance reserve	13,893	11,329
	$ 90,082	$ 66,661

The Corporation has established cash reserves in accordance with various operating agreements for the following purposes:

- Capital renewals reserve
  for capital asset additions other than normal repairs or major improvements.

- Operating reserve
  to satisfy specified obligations in the event that revenue will be insufficient to meet such obligations.

- Severance reserve
  to satisfy certain obligations of the Corporation arising from termination or layoff of employees of an operator in connection with the termination of the operator.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

Year ended March 31, 2000,

with comparative figures for 1999

3. Capital assets:

	Cost	Accumulated amortization	2000 Net book value	1999 Net book value
Land	$ 95,497	$ –	$ 95,497	$ 59,863
Building, improvements and other development costs	601,386	111,205	490,181	511,109
Furniture, fixtures and equipment	263,025	114,744	148,281	160,842
Construction in progress	48,103	–	48,103	1,579
	$ 1,008,011	$ 225,949	$ 782,062	$ 733,393

During the year, the Corporation capitalized interest amounting to nil (1999 - $1,530,000).

Construction in progress includes $23,363,000 in costs related to the construction of a slot facility at Great Blue Heron, which commenced operations on May 5, 2000, and $23,754,000 in costs incurred for an expansion project at Casino Rama.

4. Assets contributed to Chippewas of Mnjikaning and deferred charges:

	Cost	Accumulated amortization	2000 Net carrying amount	1999 Net carrying amount
Assets contributed to Chippewas of Mnjikaning	$ 26,878	$ 9,632	$ 17,246	$ 19,963
Deferred financing fees	8,620	8,465	155	1,592
	$ 35,498	$ 18,097	$ 17,401	$ 21,555

5. First Nations investment account:

On February 21, 2000 an agreement was reached between the First Nations of Ontario and the Province of Ontario for the distribution of excess cash flow resulting from the operation of Casino Rama. The excess cash flow is held in a demand account with the Province of Ontario Savings Office and is to be distributed in the spring 2000 to the First Nations of Ontario.

	2000	1999
The investment account balance consists of:		
Balance, beginning of year	$ 254,543	$ 84,197
Distribution to First Nations investment account	141,537	168,033
Interest earned	15,661	7,229
Atherley Narrows Bridge expense	–	(4,500)
Distribution during year	(1,643)	(316)
Other expenses	–	(100)
Balance, end of year	$ 410,098	$ 254,543

Fund distributions are made for sundry legal and meeting expenses related to the Fund and paid-out on behalf of the First Nations Chiefs of Ontario.

6. Related party transactions:

(a) Under the terms of the development and operating agreements for each of the casinos, the operator is entitled to receive an operator's fee calculated as a percentage of gross revenues and a percentage of net operating margin, both as defined in each of the related development and operating agreements.

(b) Under the terms of the development and operating agreement for Casino Rama, Chippewas of Mnjikaning receive an annual fee of $4,500,000, adjusted for inflation each year, relating to development and ongoing operating services. Other Chippewas of Mnjikaning charges amounting to $4,293,000 (1999 - $3,800,000) were also incurred during the year in connection with land and building rental, snow removal, water and sewer and law enforcement services. In addition, the lands used for the Casino Rama complex are leased by Casino Rama Inc. from Her Majesty the Queen in Right of Canada under a 25-year ground lease. Rent payable under this ground lease is $3,500,000 annually adjusted annually for inflation and is paid out of gross revenues of the Casino Rama complex to Chippewas of Mnjikaning in accordance with instructions from Indian and Northern Affairs Canada as representative for Her Majesty the Queen.

(c) Under the terms of the development and cost-sharing agreement between the Corporation and Windsor Casino Limited, a portion of the construction costs of the permanent casino complex in Windsor was financed by the operator. Interest payments to the operator on the construction loan was calculated at 10% per annum compounded monthly on the outstanding balance of the loan and amounted to $236,000 (1999 - $12,876,000) during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

Year ended March 31, 2000

with comparative figures for 1999

7. Long-term debt:

	2000	1999
Advance from CHC Casinos Canada Limited	$ 15,375	$ 25,456
Less current portion	9,044	9,428
	$ 6,331	$ 16,028

CHC Casinos Canada Limited, the operator of Casino Rama, advanced U.S. $25,000,000 toward the initial development of the casino. The advance bears interest at bank prime plus 1% per annum. The outstanding balance as of March 31, 2000 amounted to U.S. $10,625,000 (1999 - U.S. $16,875,000). The operator is entitled to quarterly repayments based on a formula contained in the development and operating agreement for this casino. Interest for the year amounted to $1,463,000 (1999 - $2,282,000).

The advance from the operator is repayable in U.S. dollars and is, therefore, exposed to foreign currency fluctuations. Casino Rama has not entered into any foreign exchange contracts to minimize the exposure to foreign currency fluctuations.

The principal repayments of the long-term debt expected to be made over the next two years are approximately as follows:

Year ending March 31:	
2001	$ 9,044
2002	6,331

8. Win tax:

The Corporation remits win tax to the Province of Ontario weekly. This tax amounts to 20% of gaming revenue.

9. Corporate head office expenses:

Included in costs and expenses are the expenses of the Corporation's head office as follows:

	2000	1999
Salaries, wages and benefits	$ 2,384	$ 1,661
Transportation and communication	613	603
Purchased services	3,733	3,961
Amortization	321	346
Improvements	–	38,500
Other	(950)	(847)
	6,101	44,224
Less amounts recoverable from Casino Rama	900	900
	$ 5,201	$ 43,324

Included in improvements for 1999 are $25,000,000 for the Windsor Art Gallery restoration and $13,500,000 for the Atherley Bridge improvements.

10. Pension plans:

The operators of the casinos have created defined contribution pension plans for their salaried, hourly and executive employees. The casinos are required to contribute 2% of an employee's base earnings under the salaried and hourly pension plans and 3% of an employee's base earnings under the executive pension plans. Employee basic contributions of up to 2% for the hourly pension plans and up to 3% of base

earnings for the salaried and executive pension plans are permitted. The casinos match the basic contributions made by an employee. Employee voluntary contributions of up to 12% of base earnings under the hourly pension plans, up to 10% of base earnings under the salaried pension plans and up to 9% of base earnings under the executive pension plans are permitted. The pension expense for the year amounted to $13,344,000 (1999 - $10,935,000).

11. Contingencies:

(a) The Corporation is from time to time involved in various legal proceedings of a character normally incidental to its business. The Corporation believes that the outcome of these outstanding claims will not have a material impact on these financial statements. Settlements, if any, concerning these contingencies will be accounted for as a charge to the statement of operations in the period in which the settlement occurs.

(b) The lease agreement between the Corporation and Maple Leaf Entertainment Inc. for the interim casino complex in Niagara Falls, Ontario, provides that the Corporation shall repair any damage caused by the removal of gaming equipment and other trade fixtures. The nature and expected costs of this removal of assets are not determinable at this time. Accordingly, no accrual for these costs has been provided for in the financial statements. The Corporation is not required to restore the premises to its original state when the lease expires.

12. Commitments:

(a) In connection with the acquisition of the land site for the Permanent Casino Complex in Windsor, Ontario, the OCC agreed to provide the City of Windsor (the "City") with a fixed return over 20 years with payments, commencing May 1, 1998, in the amount of $2,600,000 per annum for the first ten years and $3,000,000 per annum for the last ten years. Approximately $2,600,000 (1999 - $2,383,000) was expensed in the year. In addition, the OCC is obligated to reimburse the City for OCC's share of certain infrastructure costs. These infrastructure costs, which amounted to approximately $5,200,000 (1999 - $14,200,000) have been expensed in these financial statements.

(b) The Corporation is committed to rental payments for its leased premises and equipment under leases, expiring up to 2006. Minimum future annual lease payments are as follows:

	Operating leases
Year ending March 31:	
2001	$ 4,726
2002	1,909
2003	1,231
2004	825
Thereafter	493
Total minimum lease payments	$ 9,184

(c) On May 20, 1999 the Corporation signed a Master Development Agreement with Falls Management Company for the construction and development of a permanent casino complex in Niagara Falls. Land for this permanent casino was purchased in the current year for $35,600,000. The OCC is presently in negotiations with the City of Niagara Falls regarding compensatory payments.

13. Subsequent event:

Casino Rama intends to spend a total of approximately $265,000,000 to expand the existing casino and construct a hotel and entertainment centre, subject to securing appropriate financing to fund the development. Casino Rama Inc., a bare trustee for the Chippewas of Rama First Nation, is presently in negotiations to obtain a $225,000,000 non-revolving term credit facility from a Canadian chartered bank to finance the expansion and construction. Upon successful completion of the financing, OLGC, Chippewas of Mnjikaning and the operator of Casino Rama will finalize an amendment of the development and operating agreement relating to the operation of the casino to extend its term through to July 31, 2011.

14. Comparative amounts:

Certain of the 1999 figures presented for comparative purposes have been reclassified to conform with the current year's presentation.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion and analysis of the financial condition and results of operations of the Ontario Casino Corporation, which includes the operations of Casino Windsor, Casino Rama and Casino Niagara.

Results of Operations

Ontario Casino Corporation again achieved record results in fiscal 2000. Net revenue of $2.140 billion increased $43.0 million or 2.1% over the prior year's level of $2.097 billion. As a result of facing a more competitive gaming environment, net income of $716.6 million was $39.4 million lower than last year.

Patron visits to the Corporation's casinos decreased slightly to 21.2 million in 2000 from 21.8 million in 1999. Both patron visits and gaming revenue have not changed significantly from the prior year in light of competition being introduced during the year.

Gaming revenues of $2.017 billion increased $38 million from the prior year level of $1.979 billion. Slot revenues grew from $1.470 billion in 1999 to $1.506 billion in 2000. Table game revenues increased from $509 million in 1999 to $511 million in 2000.

Gaming revenues achieved by each casino in for the years ended March 31, 2000 and 1999 were as follows:

(in millions)	2000	1999
Casino Windsor(1)	$ 838	$ 836
Casino Niagara	641	651
Casino Rama	538	492

(1) Includes the operations of the Northern Belle Riverboat Casino and the interim Casino Windsor until July 12, 1998 and July 23, 1998 respectively, and thereafter the results of the permanent Casino Windsor.

Non-gaming revenues increased from $193.3 million in 1999 to $213.8 million in 2000, an increase of $20.5 million or 10.6% over the prior year. Non-gaming revenues include hotel accommodations at Casino Windsor, casino food and beverage sales, transportation and retail operations and foreign exchange transactions.

Promotional allowances in 2000 increased to $100.6 million from $84.0 million, an increase of $16.6 million from the prior year. Promotional allowances as a percentage of gaming revenues increased from 4.2% of gaming revenues in 1999 to 5.0% in 2000. This increase is the result of a more competitive gaming market than the prior year as a result of the opening of two Detroit interim casinos and the expansion of gaming in Ontario. Promotional allowances represent the retail value of accommodation, food, beverage and other items that are provided on a complimentary basis to patrons.

Win tax amounting to 20% of gaming revenue is paid to the Province of Ontario and amounted to $403.3 million for the year ended March 31, 2000 as compared to $395.9 million for 1999.

Gaming operations expenses increased to $417.2 million in 2000 from $361.0 million in 1999, an increase of $56.2 million or 15.6%. The largest component of this increase is attributable to Casino Windsor. Fiscal 2000 reported a full year of operations at the permanent Casino Windsor versus only 8 months of operation in fiscal 1999. Employment levels increased substantially to operate the hotel and the enhanced food and beverage outlets at the new casino. The commercial casinos have also increased their promotional activities such as cash back, busing and direct mail to be competitive with the Detroit interim casinos, the charity casinos and the slot operations at racetracks.

Non-gaming expenses increased from $108.7 million in 1999 to $136.5 million in 2000, an increase of $27.8 million or 25.5%. The increase is the result of higher non-gaming revenues.

General and administrative expenses in 2000 amounted to $162.2 million, as compared to $153.9 million for 1999, an increase of $8.3 million or 5.4%. As a

percentage of gaming revenues, general and administrative remained at approximately 8.0%.

Amortization expenses for 2000 amounted to $96.0 million, an increase of $1.8 million or 2.0% over the amortization expense of $94.2 million, in 1999.

Lease and rental expense decreased to $12.2 million in 2000 from $17.4 million in 1999 because there are no longer any lease payments being made for the Northern Belle Riverboat Casino.

Interest expense decreased to $1.7 million in 2000 from $7.6 million in 1999 as a result of repaying the $94.9 million loan from Windsor Casino Limited for the construction of the permanent casino in Windsor and the continued reduction in the advance from CHC Casinos Canada Limited for the construction of Casino Rama.

Goods and services tax increased by $5.6 million to $34.6 in 2000 as a result of higher overall expenses as compared to last year.

Other expenses in 2000 amounted to $35.0 million, a decrease of $40.3 million from other expenses in 1999 of $75.3 million. The current year balance is primarily made up infrastructure costs and property taxes in Windsor. The decrease is mainly the result of one-time expenses being made in the prior year, including $25.0 million for the Windsor Art Gallery restoration and $13.5 million for the Atherley Bridge improvements in Orillia.

Liquidity and Capital Resources

Cash generated from casino operations amounted to $777.3 million for the year ended March 31, 2000. This is a decrease of $82.5 million or 9.6% from the $859.8 million generated from operations in 1999. The decrease is due to higher costs of carrying on gaming activities as a result of increased competition.

During the year the Corporation expended $31.2 million in connection with financing activities. The Corporation repaid $21.9 million to Windsor Casino Limited which was the remaining amount outstanding from the $94.9 million advanced for the construction of the permanent casino in Windsor. The Corporation also repaid a further $9.3 million of the advance made by CHC Casinos Canada Limited for the construction of Casino Rama. The remaining amount of this advance at March 31, 2000 is $15.4 million.

Amounts expended on investing activities amounted to $131.1 million, a decrease of $23.1 million from the 1999 amount of $154.2 million. The Corporation used $35.2 million to acquire the Murray Hill Site in Niagara Falls for the construction of a permanent casino, $24.3 million for the construction of a slot facility at Great Blue Heron, $19.6 million for the development of a premium players area at Casino Windsor, $22.5 million for improvements at Casino Rama as well as the ongoing capital requirements of all three casinos.

Distributions to the Province of Ontario amounted to $417.8 million, a decrease of $57.7 million from 1999. The decrease is the result of lower cash from operations due to competition and an increase in cash held by the Corporation to finance future projects offset by lower expenditures for financing and investing activities. In addition, during fiscal 2000, the Corporation distributed $141.5 million to the First Nations investment account as compared to $168.0 million in 1999.

The total received by the Province of Ontario from the Corporation's casino operations amounted to $821.1 million in 2000 as compared to $871.4 million in 1999. The Province of Ontario received win tax from the Corporation of $403.3 million in 2000 and $395.9 million in 1999.

The Corporation's management believes that existing cash balances, future operating cash flow and amounts available from lenders will be sufficient to fund future operations and capital expenditures programs.

Board of Directors - Ontario Casino Corporation

Ron D. Barbaro, *Chair and Chief Executive Officer*	November 25, 1998 – June 24, 2001
* Robert S. K. Welch, *Vice Chair*	April 27, 1995 - July 29, 2000
* Deceased July 29, 2000	
Peter Cobbold	January 27, 1999 - February 24, 2001
Joanne DeLaurentiis	January 27, 1999 - January 13, 2001
Gerald Huck	January 27, 1999 - May 26, 2001
Francine D. McMullen	May 14, 1997 - March 31, 2000
Louis E. Panontin	December 2, 1999 - December 1, 2002
Sharon Paul	January 27, 1999 - January 13, 2001
Nicholas Perpick	January 27, 1999 - January 12, 2002
Richard A. Raymond	May 14, 1997 - March 31, 2001
Bruce H. Reid	February 25, 1998 - March 31, 2001
Gary Reinblatt	January 27, 1999 - January 12, 2002

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We all win with Ontario lotteries!

The Ontario Lottery Corporation

Who We Are

The Ontario Lottery Corporation (OLC) reports to Management Board Secretariat as it oversees the development, management and promotion of lottery games. In addition to generating more than $9 billion in profits for charities and worthwhile causes since its inception in 1975, the OLC has expanded its activities to include the operation of charity casinos and slot machines at racetracks.

In charity there is no excess.

Francis Bacon (1561–1626)
English philosopher, lawyer and statesman

There are 7,800 lottery terminals in Ontario.

Our business offices located in Sault Ste. Marie and Toronto employ a team of more than 600 employees. This dedicated staff works in traditional gaming, offering a variety of on-line and off-line games, as well as in supporting the pilot charity casinos and the new slot machines at racetracks program.

OLC's direct gaming sites now include charity casinos and slot facilities, employing more than 4,500 staff members as of March 31, 2000.

You can't clap with one hand.

anonymous Chinese proverb

OLC enjoys a vigorous partnership with the private sector, including about 10,000 retailers. Of these retailers, 7,800 are connected to our on-line gaming network (the sixth largest network in North America). Commissions to the OLC's network of independent retailers account for more than seven per cent of total sales. The OLC also partners with the Provincial Bingo Charitable Activities Association and the Registered Gaming Suppliers of Ontario to offer SUPERSTAR BINGO (through links to 171 bingo halls in Ontario).

Mandate

Twenty-five years ago, the *Ontario Lottery Corporation Act* established the OLC as a Schedule II Crown Agency. The OLC currently reports to government through the Chair of Management Board of Cabinet. Profits are deposited into the government's Consolidated Revenue Fund for the following specific objectives:

- Promotion and development of physical fitness, sports, recreational and cultural activities and facilities
- Activities of The Ontario Trillium Foundation
- Protection of the environment
- Provision of health care, including the operation of hospitals
- Activities and objectives of charitable organizations and non-profit corporations
- Funding of community activities and programs

Integrity & Social Responsibility

Leading the Way in North America

The Government of Ontario directs two per cent of annual slot machine revenues from charity casinos and the slot facilities at racetracks to the Ministry of Health and Long-Term Care for its Comprehensive Strategy for Treatment, Public Awareness and Research of Problem Gambling in Ontario. This program, managed by the Ministry's Ontario Substance Abuse Bureau, is the best-funded problem-gambling program in North America receiving a guaranteed minimum of $10 million per year:

Treatment & Training – $5.4 million to treat individuals experiencing gambling difficulties and to provide education and training for problem-gambling counselors.

Public Awareness – $2.4 million to prevent gambling problems through public education and early identification of people with gambling problems. This includes the development of a province-wide public-awareness strategy.

Research – $2.2 million to research the most effective methods of preventing and treating gambling addictions, to monitor the impact of gaming activities including socio-economic studies in host communities to determine the impact of the charity casinos.

In April 1999, funding was significantly increased to ensure that each of Ontario's 45 designated treatment agencies had at least one full-time expert on staff dedicated to the delivery of appropriate services to their community. In order to coordinate research efforts, a new research centre is expected to be operational in the first quarter of 2000-2001.

In the last year, across the province, there were more than thirty information sessions targeting professionals such as physicians, drug and alcohol counselors, and financial advisors who are often in the best position to identify and refer potential problem gamblers. Designated treatment agencies also received financial and training resources to host their own events in order to increase community awareness.

Partners for Responsible Gambling

At the end of this fiscal year the OLC/OCC became a member of an important advisory committee led by the The Canadian Foundation on Compulsive Gambling. This committee – Ontario Partners for Responsible Gambling – includes representatives from the following stakeholders: Ontario Lottery Corporation, Ontario Casino Corporation (OCC), Ontario Ministry of Health and Long-Term Care, Gaming Secretariat of Management Board Secretariat, Ontario Problem Gambling Helpline, Ontario Horse Racing Industry Association, Centre for Addiction and Mental Health, the soon-to-be-launched Ontario Problem Gambling Research Centre, the Bingo industry and those who provide treatment.

The committee will collaborate to create and deliver a responsible gambling media/public awareness campaign during the coming fiscal year. This campaign is a one-year pilot project.

A Proactive Approach

The OLC works towards achieving the highest level of integrity possible through the following measures:

- Strict game rules
- Rigid game security, utilizing the latest security techniques
- Liability caps on games
- Stringent security in all areas
- Limits on amount of wagering accepted at retail outlets
- Commitment to corporate social responsibility
- Review of all insider-wins
- Formal policies governing the participation of employees in charity casinos and slot machine operations
- Prohibitions on selling tickets and paying out prizes to minors

The OLC is also expanding its self-exclusion programs for players who feel they need help dealing with gambling problems and actively cooperates with other provincial departments where appropriate. For example, the OLC deducts delinquent family support payments from lottery prizes of $1,000 or more on behalf of the Family Responsibility Office and, in conjunction with the Ministry of Finance, the Corporation has a program in place to ensure that lottery retailers remit retail sales tax.

THE ONTARIO TRILLIUM FOUNDATION

LA FONDATION TRILLIUM DE L'ONTARIO

Renewal & New Beginnings

In North America, night and day, lotteries generate more than $50,000 every minute! The most recent figures available (1996) indicate that North American lotteries award at least $70 million in prizes every day. In Ontario, OLC awards on average almost $3-million-a-day in prizes.

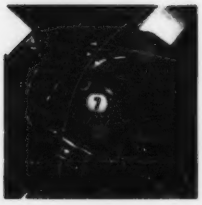
Lotteries are ancient. Apart from several Biblical references to casting lots for reward, the first record of draw games comes from the Romans (27 BC - 14 AD). However, the winners didn't take away cash with their winning tickets. Emperors commonly gave away lavish villas to those who won the big prize!

The French are credited with the idea of using lotteries in the 16th century to raise money for the state. Five centuries later, lotteries have become an integral part of a vigorous gaming industry in North America and elsewhere.

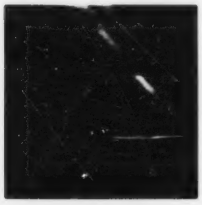
The Ontario government was given the right to manage lotteries in the province under the *Criminal Code of Canada (1985)*. The province, in turn, delegates that responsibility to the Ontario Lottery Corporation.

Since its founding in 1975, the Ontario Lottery Corporation has generated more than $9 billion in profits for thousands of worthwhile causes. Today, provincial hospitals, sport, recreational and cultural activities (and The Ontario Trillium Foundation) benefit from the revenues generated by the OLC. Eighty per cent of the funds distributed by The Ontario Trillium Foundation go to local charitable organizations while the balance goes to charitable organizations that deliver a province-wide mandate.

Lotteries are one of three lines of business undertaken by the OLC – now including charity casinos and slot machines at racetracks. This year a major enterprise-wide restructuring was undertaken to consolidate strategic business plans. This restructuring permits us to merge financial and administrative expertise and thus to realize the benefits of economies of scale. Financial integrity remains the highest priority.



Traditional lotteries



Charity casinos

Slot machines at racetracks

New Initiatives for A New Era

Expansion

In August 1999, INSTANT ticket devices enabled all lottery retailers in Ontario to connect to OLC's central computer system for the first time. This technical innovation means that instant tickets can be shipped in a non-active state and are activated at retail outlets as necessary. Since billing occurs only after activation, retailers enjoy a potential for greater earnings-relative-to-investment because they can carry a larger product inventory. This introduction of INSTANT ticket devices is the first step in sweeping improvements that will continue to enhance our vital partnership with the private sector.

Refinements

Originally launched in August 1996, POINT SPREAD experienced three years of weekly sales of $700,000 and an average payout of 57.1 per cent versus its projected payout of approximately 60 per cent.

Adjustments were made in September 1999 to bring the payout up to the 60 per cent target to make the game more attractive to players. (The OLC increased the multiplication factors in the payout table for football wagers only, including U.S. professional, Canadian professional and U.S. College football.) These changes are expected to boost sales to $800,000 a week during football wagering – helping us to generate anticipated sales of $13.6 million for the football season, a 160 per cent increase over the past season.

By increasing the payout levels, players can win more on their POINT SPREAD football wagers. Now, if a player makes three selections and is correct on all three, the prize paid is five times the wager. (Before, it was four times the wager.) And, if a player correctly predicts 12 games, the prize is 1,000 times the wager. (Until now, the prize was 500 times the wager.)

New & Improved Games

A brief three-month moratorium on developing new on-line games was in place (November 1999 through January 2000) in order to ensure that all necessary resources would be on-call to respond quickly in the event of any Y2K bugs. This precautionary measure represented minimal interruption as on-line product launches rarely occur during this time frame.

Throughout the year, the Ontario Lottery Corporation continued to find creative ways to increase revenues by introducing new INSTANT games and by refreshing old favourites.

11 – $1-games	**5** – $4-CASH FOR LIFE games
18 – $2-games	**1** – $4-INSTANT WISHES game
11 – $3-INSTANT BINGO	**2** – $5-ONTARIO INSTANT MILLIONS games
18 – $3-INSTANT CROSSWORD games	**1** – $5-SUPER BANCO game
10 – $3-INSTANT BATTLESHIP® games	**1** – $5-MEGA BINGO game
7 – $3-INSTANT KENO games	**1** – $5-HOLIDAY GIFT TAGS game

BATTLESHIP® is a registered trademark. Used with permission of Hasbro Canada Inc.

And of course preparations were completed this year for our April 2000 launch of WINNER TAKE ALL – an exciting new $1-on-line game, with a guaranteed nightly winner, which is predicted to generate daily sales of approximately $44,000. With this game a single prize (calculated as 50 per cent of cash sales) goes to the winning number daily. The winning number combination is drawn electronically from the pool of tickets sold – guaranteeing a single jackpot winner for every draw. Secondary prizes of free tickets are awarded for matching the last number, and the retailer who sells the winning jackpot ticket is guaranteed a bonus commission of $1,000.

Under the B – SUPERSTAR BINGO!

Bingo – Early 20th century. Origin uncertain: perhaps from bing, the sound of a bell ringing or a target being hit.

SUPERSTAR BINGO uses PC-technology to electronically link bingo halls throughout Ontario for a daily jackpot game and is a significant venture outside of traditional lottery games. By contributing to the many charities that benefit from bingo hall fundraising, SUPERSTAR BINGO helps fulfil one of the OLC's principal goals. Charities receive 21.5 per cent of sales for a total of $12.3 million from the game in 1999-2000. As of March 2000, this game was played in 171 community bingo halls and has generated more than $44.7 million for community-based charities since its introduction in March 1997.

A new promotion was launched in February 2000 – The VIP Jackpot Gala. Players at all 171 bingo halls could enter their names for a chance to win an invitation for two to the 2000 VIP Jackpot Gala in their region by filling out the back of their non-winning SUPERSTAR BINGO play-strips and dropping them in a ballot box at the bingo hall. Each week, one ballot was drawn in each hall. Four winners per hall were rewarded with an invitation for two to the 2000 VIP Jackpot Gala in their region. This exciting evening included dinner, big-band entertainment, electronic-bingo (using touch-screen terminals) as well as the more traditional bingo-on-paper with $12,000 in prizes and a chance to play for the 2000 VIP Bingo Jackpot: $1 million.

The promotion ran between February 1 and 29, 2000. The Galas were held between March and April 2000 at seven regional locations: London, Kingston, Oshawa, Toronto, Windsor, Sudbury and Hamilton. Approximately 200 people attended each event.

Another First – CASH FOR LIFE

On January 18, 2000, the OLC launched one of its most successful INSTANT games ever: CASH FOR LIFE. Sales took off at a blistering pace, selling more quickly than any other INSTANT game. Within 40 days on the market, sales of this $4-game reached $51.2 million, and by the end of the fiscal year: $75.6 million. This is the OLC's first venture into an annuity prize payment game.

Play now, win for life!

The marketing strategy for this game is designed to show consumers the life-enhancing possibility of winning $1,000 a week for life. By March 31, 2000, there were eight top-prize winners. (The odds of winning the top prize are one in two million). There are thousands of subsidiary prizes awarded weekly.

The selection of INSTANT tickets continues to grow. This year we issued 86 new games.

Lottery Sales and Prizes by Game (1999–2000)

Game Category	Actual ($ million)	
	Sales	Prizes
On-line Games		
LOTTO 6/49	640.4	304.5
ENCORE LOTTO 6/49	108.2	55.7
LOTTO SUPER 7	219.7	109.3
ENCORE LOTTO SUPER 7	38.4	23.2
LOTTARIO	46.3	24.1
ONTARIO 49	35.7	15.0
ENCORE ONTARIO 49	11.8	4.9
PICK-3	54.9	27.5
DAILY KENO	67.2	32.1
Total On-line Games	**1,222.6**	**596.3**
SPORT SELECT Games		
PRO•LINE	133.9	72.2
OVER/UNDER	16.7	8.8
POINT SPREAD	40.8	24.2
Total SPORT SELECT *Games*	**191.4**	**105.2**
INSTANT Games	**730.2**	**386.0**
SUPERSTAR BINGO	**57.2**	**29.0**
Less Prize Funds Unclaimed		**(26.4)**
TOTAL	**2,201.4**	**1,090.1**

Lottery Revenue and Prizes Years ending March 31

	1999-2000 Actual		1999-2000 Objective		1998-1999 Actual	
	($ millions)	%	($ millions)	%	($ millions)	%
Revenue	2,201.4	100.0	2,192.2	100.0	2,171.9	100.0
Prizes	1,090.1	49.5	1,077.1	49.1	1,070.9	49.3
Other operating expenses	327.4	14.9	329.2	15.0	328.4	15.1
Income before the undernoted	783.9	35.6	785.9	35.9	772.6	35.6
Payments to Charitable Organizations and Government of Canada	52.0	2.4	53.9	2.5	53.0	2.4
Revenue less expenses	**731.9**	**33.2**	**732.0**	**33.4**	**719.6**	**33.2**

Lotteries

Lotteries generated sales of more than $2.1 billion in the 1998-1999 fiscal year. This fiscal year showed total sales of $2.2 billion and revenue less expenses of $731.9 million. Prizes made up 49.5 per cent of the total sales, or $1.1 billion for the fiscal year 1999-2000. In 1999-2000, $685.9 million in OLC profits were to be returned to the government for priority programs such as health care.

Lottery – the drawing of lots for the distribution of prizes, usually money, to the winners among those who purchase a chance. A lottery is considered a form of gambling, because the value of the prize is greater than the cost of the ticket and no skill is involved in winning.

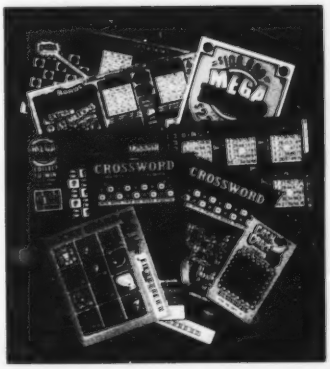
The largest jackpot ever won in Canada was a LOTTO 6/49 prize of $26.4 million in September 1995. In February 2000 the LOTTO SUPER 7 jackpot hit $18 million – the fourth largest ever for this game.

Evolving Partnerships

The OLC has launched a pilot project to increase redemption levels for winning OLC tickets at commercial casinos, charity casinos and slot-machines-at-racetracks sites. These participating retailers will now be able to redeem prizes up to $990.

Did you know that 55% of lottery winners share their money with family or friends?

Goldfarb Consultants, Toronto



Sales & Service in an Era of Change

An important part of our restructuring initiatives is a new sales model in which the OLC sales force now works from home with support from our new Contact and Distribution Centres. September 30, 1999 marked the closing of six regional sales offices and the consolidation of services to sales staff and retailers – subscription services, accounts receivable, said-to-contain, hotline, retail operations, telesales, consumer affairs and SUPERSTAR BINGO – in the Contact Centre in Sault Ste. Marie and the Central Distribution Centre in Toronto.

The centralized Contact & Distribution Centres represent a significant step toward our customer-connection vision: by consolidating resources and information, we will empower our staff, associates and partners to build profitable and mutually beneficial customer relationships.

This is only the start as we embark on a cross-training effort aimed at providing every member of the Contact Centre team with the skills and tools to provide consumers and retailers with a positive experience at every contact.

Ron D. Barbaro, Chair and CEO, OCC/OLC

100% of profits went to Ontario charities.

Charity Casinos

Portholes, Shooting Stars, White Water and Lighthouses

In June 1998, the Ontario Government announced plans to create four charity casinos. Before launching this ambitious project, a complete and detailed survey of the potential host communities was undertaken to ensure community support. As a result, Sault Ste. Marie, Point Edward and Thunder Bay were selected as border cities and Brantford was selected for its close access to a large tourist market. The resultant economic spin-off has exceeded expectations.

In addition, we will also upgrade Port Perry's Great Blue Heron Charity Casino, owned by the Mississaugas of Scugog Island First Nation, adding slot machines to the existing table games at this facility.

By the end of 1999/2000, preparations were well underway for the celebration of Ontario's fourth charity casino opening in Thunder Bay, scheduled for the summer 2000. In addition to promoting tourism, each site creates hundreds of new jobs, capital investment and employment during the construction phase, as well as a greater municipal tax assessment and increases in goods and services purchased locally. And, of course, each host community receives five per cent of gross slot-machine gaming revenues.

Ron D. Barbaro opened 10 gaming facilities during the fiscal year, including two charity casinos.

A $40-million Advance Funding Program created bridge-funding for charities between the cancellation of the three-day roving Monte Carlo events and the start-up of the pilot charity casinos. This program concluded on March 31, 1999 and charities now apply to The Ontario Trillium Foundation for a share of the $100 million in funding that the government has guaranteed each year to charities throughout Ontario. This is ten times the amount that charities raised through the Monte Carlo program.

The Ontario Trillium Foundation, which is responsible for distributing funds to charities, has developed a distribution framework of 16 regional grant review teams.

While all casinos generate significant economic spin-offs for their host communities and revenue for the province, there are some basic differences between commercial and charity casinos. In a commercial casino high rollers can bet up to $10,000 on table games. The stakes are much lower at charity casinos where the betting limits are currently set at $100 for table games. Charity casinos are also smaller – with gaming restricted to a maximum of 450 slot machines and 60 table games.

Sault Ste. Marie – Into the Wild

Five months after the OLC announced that an interim casino would be operating by the spring 1999 in Sault Ste. Marie, the roulette wheels were spinning in 20,800 square feet of gaming space. The interim charity casino was built in less than six months.

Based on the concept theme "Into the Wild," Casino Sault Ste. Marie opened in May 1999, with 450 slot machines and 31 gaming tables. The high visibility of Casino Sault Ste. Marie near the International Bridge attracts guests from both Canada and the United States. It is the first step in the development of the Gateway site on the waterfront of the St. Mary's River.

So far, the charity casino has attracted an average of 2,177 visitors a day, for a total of 681,444 patrons as of March 31, 2000. Seven thousand people applied for 500 immediate job vacancies, while the project is expected to create up to 1000 additional jobs indirectly. And the benefits to the community don't end there. In 1999 the value of all construction in Sault Ste. Marie totaled $71.9 million – the second best year in a decade. And in this fiscal year, OLC paid $1,070,409 to the city, representing five per cent of gross slot revenue.

Brantford – Lucky Stars

A sculpture of light perched atop the building acts as a beacon and signals the celestial theme that characterizes the interior of the Brantford Charity Casino, the second charity casino to open this fiscal year. Inside, the slot area, housing 450 slot machines, features a sea of small lights symbolizing the Milky Way and the central rotunda boasts a huge multi-coloured terrazzo star.

Approximately $36 million transformed a vacant building into a celestial palace. In the first three months of operation, 5,070 people came daily to experience Brantford's newest entertainment offering, more than doubling early predictions of 2,000-a-day. An estimated 75 per cent of the clientele travel from out of town.

> **Lighting running up from the tower in the centre of the building, looks like a shooting meteor.**

In 1999-2000, 671,778 visitors were welcomed by the Brantford Charity Casino's staff of 992. The City of Brantford has joined forces with five other municipalities under the banner of Grand River County to attract even more visitors and to identify the area with a variety of adventure and entertainment experiences including the Brantford Charity Casino.

Downtown Brantford is enjoying revitalization. In 1999, the total value of construction in Brantford totaled $78.2 million, which marked the best numbers in a decade. Preliminary positive spin-offs include a new nightclub and restaurant, and a revived interest in the Market Street South properties. Eight hundred and seventy six building permits were issued this year. The value of construction shows a 62 per cent increase over the previous year.

> **The city's unemployment rate hasn't been this low in 40 years.**

Seventy per cent of the 992 staff employed at the Brantford Charity Casino have been hired locally. Enjoying a dramatic reversal in economic status – in part attributable to the new charity casino – Brantford now boasts one of the most promising job markets in Canada and has been ranked by the international staffing service firm, Manpower, among the top 44 Canadian cities for employment prospects.

Point Edward – On the Horizon

As of March 31, 2000, 746 people have been hired at the Point Edward Charity Casino. Seventy per cent are local. Approximately $50 million has been spent to reconfigure an existing building into the newest tourist draw for this community. When the doors opened in mid April 2000, the charity casino provided a nautical atmosphere for gaming patrons and the excitement of 450 slot machines and 36 gaming tables.

Thunder Bay – Welcome Aboard

When the province's fourth charity casino opens in Thunder Bay this summer (2000), it will celebrate the city's location and rich shipping history as reflected in the choice of motif. A lighthouse guides you to the entrance, canopies curve into waves overhead and the black slate floor features a map of Lake Superior. In the lobby, wrought iron railings in an art deco style depict a rock and water landscape and stylized prairie wheat.

The Thunder Bay facility with 13,540 square feet of gaming space will house 450 slot machines and 14 gaming tables for Blackjack, Caribbean Stud, Sic Bo, Roulette, Let It Ride and the Big Six Money Wheel.

In addition to the hundreds of thousands of tourist dollars, the charity casino will create 400 direct jobs and hundreds of indirect jobs.

Great Blue Heron – A Scugog Island Destination

Opened as a gaming facility in 1997, the Great Blue Heron Charity Casino was a major First Nation initiative. At that time, the Mississaugas of Scugog Island First Nation formed the Baagwating Community Association, a non-profit association to conduct and manage the table games at the charity casino.

Plans were set in motion by OLC to introduce 450 slots to complement the 40 existing gaming tables at the Great Blue Heron Charity Casino. Already one of the largest employers in the region, the number of employees increases to almost 600 from 400 when the slot facility opens in May 2000. The new slot facility is also expected to boost the area's tourism industry.

Charity Casinos Overview as of March 31, 2000

Charity Casino	Opening Day	Slots	Gaming Tables	Daily Attendance	Total Attendance	Revenue to Host Community	Gaming Revenue ($000)
Sault Ste. Marie	May 19, 1999	450	32	2177	681,444	$1,070,409	$24,514
Brantford	Nov. 17, 1999	450	46	4976	671,778	$1,536,873	$40,793
Point Edward	April 2000	450	36	–	–	–	–
Thunder Bay	Summer 2000	450	14	–	–	–	–

The number of employees at the Great Blue Heron Charity Casino increases to almost 600 from 400 when the slot facility opens in May 2000.

Slots at racetracks have rejuvenated Ontario horseracing!

The Slots

Off to the Races!

Because of slots, race purses are skyrocketing and yearling sales are booming, which further revs up the declining breeding operation.

David Willmot, Ontario Jockey Club President & CEO

The slots-at-racetrack program, which was launched at Windsor Raceway December 1998, has become a runaway success with results exceeding all estimates. By the end of March 2000, slot machines had been introduced in nine facilities: Windsor, Sarnia, Milton, Fort Erie, London, Peterborough, Sudbury, Gloucester and Toronto. The operation of slot machines in Ontario horseracing tracks has generated $364.8 million and created 2,300 direct jobs.

The horse racing industry receives 20 per cent of the gross slot machine revenues. Already the third largest agricultural industry in Ontario, Ontario's billion-dollar horse industry has been revitalized. Forty-five thousand people work in the horse racing industry – the equivalent of 27,000 full-time jobs. When the roll-out of the slot program is complete, another 7,000 full-time equivalent jobs will be added to this newly invigorated economic sector in Ontario.

Since December 1998, the OLC has turned over approximately $15 million, the municipalities' share of slot revenue, to seven host sites. Visitors to the slots-at-racetrack operations have now surpassed five million.

The slots-at-racetrack program is a runaway success!

Ontario is the envy of horse racing jurisdictions across North America. The phenomenal growth in purses has brought renewed optimism – employment is on the upswing, stables are moving here and demand for Ontario-bred horses is growing.

Jane Holmes, Executive Director

Ontario Horse Racing Industry Association

Dividing the Pie

Under the racetrack agreement, 20 per cent of gross slot machine revenue is evenly split between the racetrack and its respective horse people. Industry revenues will be re-invested in horsebreeding, ownership and racing.

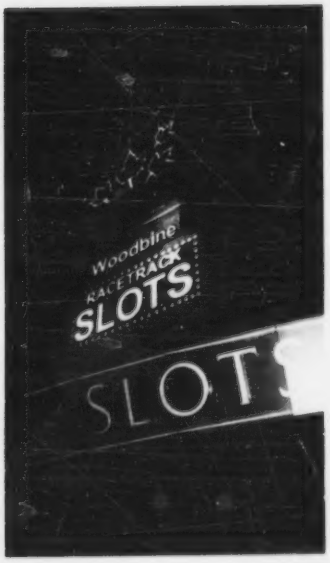
Five per cent of the gross revenue for the first 450 slot machines located at the racetrack, plus two per cent for slots over 450, is allocated to the municipality of the host racetrack. This revenue is intended to help offset local infrastructure and service costs, such as policing, related to the increased number of visitors.

Two per cent of gross revenue is earmarked for research and treatment of problem gambling, with a guaranteed minimum of $10 million. Charities operating in Ontario are also guaranteed $100 million, which is distributed through The Ontario Trillium Foundation.

Out of the Gate!

March 27, 2000. It was a night to remember as the doors opened at the latest slot machine facility. The Gala Opening of the slots at Woodbine Racetrack in Toronto crackled with excitement in a glittering 54,977-square-foot setting. Life-sized hand-painted Renaissance trumpeters peered down on the capacity crowd of 5,400.

The gala opening of the slots at Woodbine Racetrack raised $175,000 for the United Way of Greater Toronto!



The 1,700 slots are the centerpiece of a major refurbishing at Woodbine. Vibrant murals surrounding the slots celebrate "Palio" – the world's longest running annual horse race, which began in Sienna, Italy in 1238. Palio lasts only 90 seconds. The 26-foot-wide gold-leaf mural depicts the traditional pre-race parade in the 15th-century town square. An interactive 3D model of a Renaissance town lights up and sets off a miniature horse race when a jackpot is won.

More than 20 Toronto artists collaborated in the creation of this exciting gaming space. Their vision and imagination combine with classic paint artistry and contemporary fiber optic techniques to produce a spectacular visual journey.

Available bets range from 25 cents to five dollars. Up to ten thousand new visitors to the track are expected each day.

Slots-at-Racetracks Report Card

Toronto

During the next fiscal year (2000-2001), the city of Toronto is expected to receive up to $7.7 million from the slots program at Woodbine Racetrack (five per cent of the gross revenue on the first 450 slot machines and two per cent from the rest). As owners of the racetrack, the Ontario Jockey Club will receive 10 per cent of the gross revenue. And, for the sport itself, 10 per cent of the gross revenues will go into purses.

In reviewing the performance of the earlier entries, there's every reason to be optimistic.

Windsor

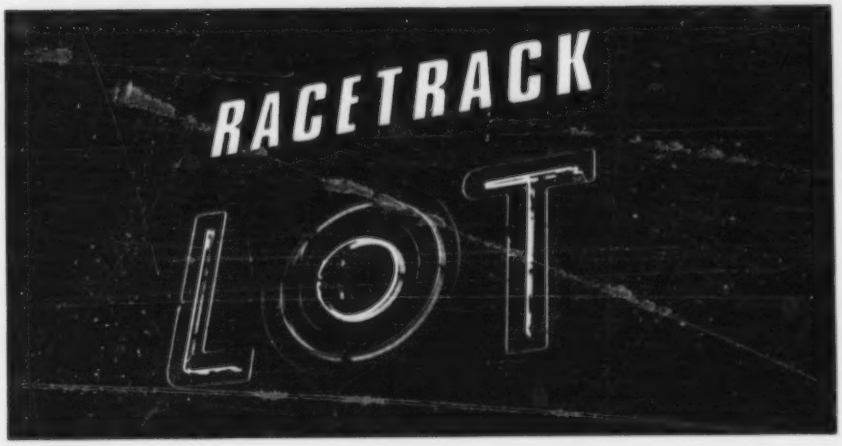
In December 1998, Windsor Raceway became the first of Ontario's 18 horseracing tracks to introduce slot machines. In 1999-2000, gaming revenues were $69 million and 100 new jobs were created at the racetrack. Since 1997 purses have doubled, 22 more race days have been added to the 2000 schedule, and the track is running a full field of horses for each race.

Plans are now underway to add 37 new slot machines, bringing the total to 750.

Milton

Twenty-five minutes west of Toronto, Mohawk Racetrack sits on a 450-acre tract of land surrounded by woodlands of spruce, cedar, pine and birch, in the quaint village of Campbellville, five minutes west of Milton.

When the slot operations at Mohawk began last August, the host community expected $1.6 million

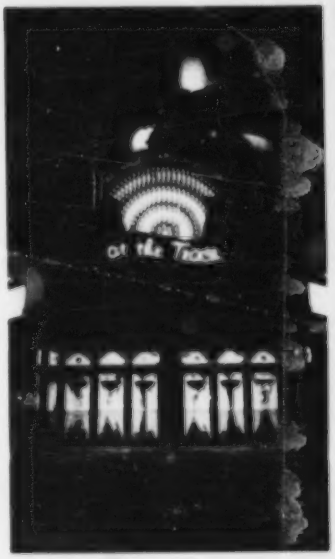


Jockey Sandy Hawley at the opening of the slots at Woodbine.

as its 1999-2000 share. The 23,682-square-foot facility for slot machines actually produced three times that amount – $4.6 million as Milton's share for the first eight months. As of March 31, 2000, 254 people were employed full time as a result of this initiative. Purses at the racetrack have increased by 10 per cent this year and 18 more race days have been awarded for the 2000 season.

The slots at Mohawk Racetrack logged its one-millionth visitor this year when Marie Weber walked through the door on March 1, 2000. Weber was awarded one million Winner's Circle Players Club points for a cash value of $5,000.

Creating a real buzz, the track is the place to be again!



Fort Erie

Its track infield ablaze with flowers that surround three lakes – appropriately named, Win, Place and Show – Fort Erie boasts one of the most picturesque racetracks in North America. It's been a showplace for thoroughbred racing for more than a century and is the racetrack where the legendary Northern Dancer won his first race.

Now, as a result of a bold new business relationship with the OLC, it is also one of the most lucrative. Since the slot facility opened on September 9, 1999 action in the 32,233-square-foot gaming area has been brisk and race purses have almost doubled in the last two years.

Twenty-five new race days have been added to the schedule, and several new sponsors promise even more new races to come. When the 2000 season kicked off April 29, the track ran near capacity with a record 1,000 horses.

The Fort Erie slot facility is the biggest employer in town, with 310 direct jobs. Slot revenue will represent a 26 per cent boost in the revenue available to the community of Fort Erie. In 1999-2000, the town received $1.6 million. In its first full year of operation (2000-2001), the slot operation is expected to bring in $67.9 million.

These results have exceeded our expectations!

Ron D. Barbaro, Chair and CEO, OCC/OLC

Sarnia

Located at the mouth of the St. Clair River across from Port Huron, Michigan, Sarnia is home to Hiawatha Horse Park, which features harness-racing. Since May 1999, Sarnia's racetrack has hosted a slot facility with 11,611 square feet of gaming space. Pari-mutuel wagering has increased 27 per cent since the introduction of slots.

The Slots: They're at the post. They're off!

For horsemen, gains are easy to see – renewed optimism with purses increasing by a staggering 350 per cent and 28 more race days added to the 2000 schedule.

> **This facility has created hundreds of direct and indirect jobs, many opportunities for local businesses, restaurants and the service sector.**
>
> *Mayor Bradley*
>
> *upon receiving a cheque for $1,196,222 for the first five months (May-September 1999) of operation*

London

The slots at Western Fair Raceway in London, which offers a gaming area of 8,483 square feet, has created 156 new direct jobs. In addition, the raceway was awarded 98 race dates for the 2000 season, up from 89 in 1999.

Peterborough

The slot facility at Kawartha Downs opened on November 22, 1999 and offers 375 slot machines in 10,918 square feet of gaming space. Located south of Peterborough, 165 people are employed at this gaming site.

Sudbury

Sudbury Downs has extended its season by twenty-five racing days. The interior has been dramatically transformed with vibrant colours, mosaics and glasswork in a Masque motif. As elsewhere, the addition of slots has led to increased purses. Not only will there be big money races in the upcoming fiscal year ($100,000 Gold Final at the Ontario Sire Stakes this summer), the prize money for average races has also increased. The teletheatre, remodeled dining room and concession booths have also benefited from the bustle at the slot machines.

> **You'd be hard-pressed to find a horseman who didn't have a grin on his face.**
>
> *Ken Le Drew, General Manager, Sudbury Downs*

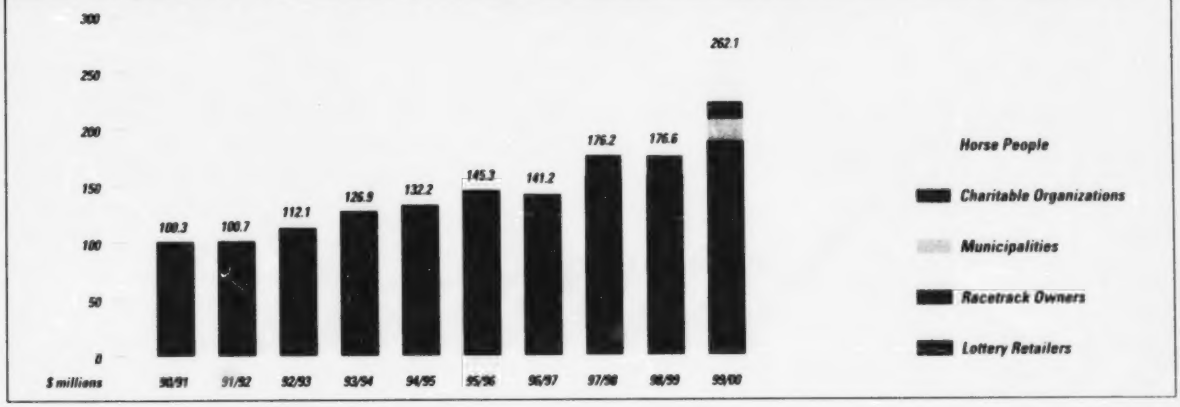
Gloucester

The slot facility at Rideau-Carleton Raceway located in the town of Gloucester opened on February 16, 2000 and offers 36,438 square feet of gaming space in an art-deco-style environment. This harness-racing track, which first opened in 1962, has also been renovated to coincide with the opening of the $43 million slots facility.

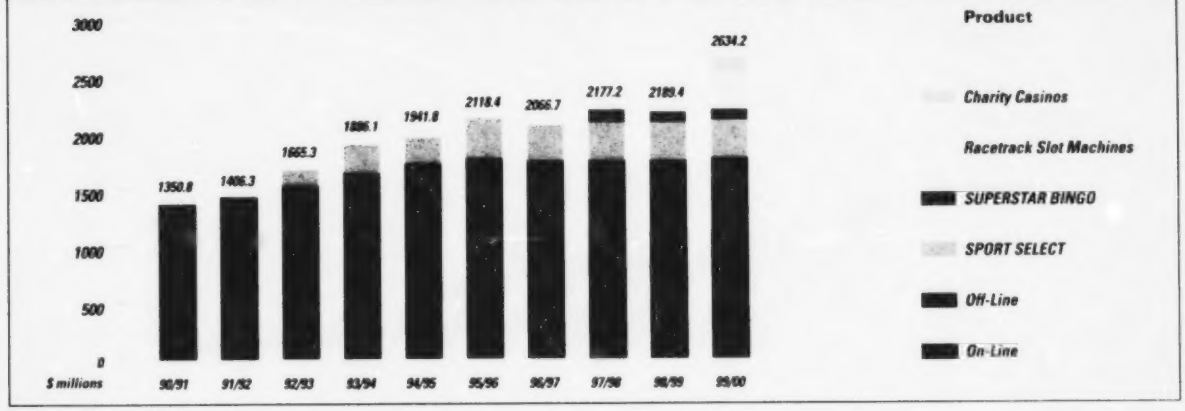
Slot Location	Opening	Slots	Purse Increase	Wagering Increase	Staff as of March 31/00	Total Attendance as of March 31/00	Average Daily Attendance
Windsor	Dec 16, 1998	713	30%	13%	294	1,132,338	3,094
Sarnia	May 8, 1999	450	350%	27%	179	806,195	2,458
Milton	Aug 10, 1999	750	10%	27%	257	1,151,956	4,923
Fort Erie	Sept 9, 1999	1,200	20%	10%	310	738,125	3,618
London	Sept 28, 1999	300	67%	n/a	156	509,352	2,753
Peterborough	Nov 22, 1999	375	n/a	n/a	152	230,516	1,773
Sudbury	Nov 26, 1999	325	n/a	n/a	153	165,087	1,310
Gloucester	Feb 16, 2000	1,250	n/a	n/a	355	181,900	4,134
Toronto	March 27, 2000	1,700	n/a	n/a	415	39,109	9,777

10-Year Review

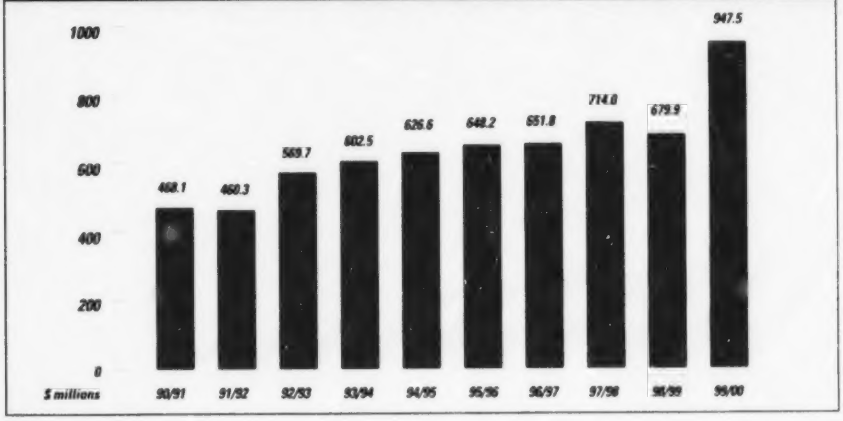
Revenue Distribution



OLC Annual Sales History



OLC Annual Net Income



OLC Management's Responsibility for Financial Reporting and Internal Control

The Ontario Lottery Corporation's consolidated financial statements are the responsibility of management and have been prepared in accordance with generally accepted accounting principles. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. The financial information throughout the text of this Annual Report is consistent with the information presented in the financial statements.

In meeting its responsibility for the reliability and timelines of financial information, management has developed and maintains comprehensive internal accounting, operating and systems controls. These controls are designed to safeguard the Corporation's assets and maintain accountability for their use, and to ensure compliance with regulatory requirements.

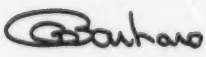
An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board of Directors. In addition, the Corporation employs external consultants who advise both management and the Board of Directors on the reliability and integrity of the Corporation's gaming and gaming support systems.

The Board of Directors oversees management's responsibilities for financial reporting and internal control through the Audit Committee. This committee reviews with management and the Provincial Auditor the content and format of the Corporation's consolidated financial statements and the adequacy of the Corporation's internal control before recommending approval to the Board of Directors.

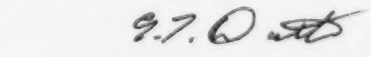
The consolidated financial statements have been audited by the Provincial Auditor who was appointed pursuant to the *Ontario Lottery Corporation Act*. The Auditor's Report, which follows, outlines the scope of the Provincial Auditor's examination and opinion.

The Provincial Auditor, the Corporation's internal auditor and the external consultants reviewing our gaming system have full and free access to the Audit Committee to discuss their audits and related findings.

The Board of Directors, based upon the recommendations of the Audit Committee, has reviewed and approved the consolidated financial statements for the fiscal year ended March 31, 2000.



Ron D. Barbaro
Chair and Chief Executive Officer



Tom Dalton
Vice President of Finance & Administration and Chief Financial Officer

AUDITOR'S REPORT

To the Board of Directors of the Ontario Lottery Corporation
and to the Chair of Management Board of Cabinet

I have audited the consolidated balance sheet of the Ontario Lottery Corporation as at March 31, 2000 and the consolidated statements of operations, cash flows, changes in due to Province of Ontario and equity in capital assets for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Toronto, Ontario
May 26, 2000

J.R. McCarter, CA
Assistant Provincial Auditor (Acting)

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

CONSOLIDATED BALANCE SHEET

(in thousands of dollars) As at March 31, 2000

	2000	1999
		(Note 12)
Assets		
Cash and cash equivalents	$ 177,622	$ 111,231
Prize funds on deposit	14,557	46,437
Accounts receivable	36,132	41,193
Prepaid expenses	24,700	13,900
	253,011	212,761
Pre-opening expenditures (Note 2)	68,911	8,074
Deferred development costs	8,812	-
Loans receivable (Note 3)	65,447	1,763
Capital assets (Note 4)	335,223	73,663
	$ 731,404	$ 296,261
Liabilities and Provincial Equity		
Accounts payable and accrued liabilities	$ 126,535	$ 74,543
Prize funds unclaimed (Note 5)	14,557	46,437
Due to Interprovincial Lottery Corporation	2,463	4,103
Due to Government of Canada	12,242	9,428
Deferred income	12,262	11,772
	168,059	146,283
Provincial equity:		
Due to Province of Ontario	228,122	76,315
Equity in capital assets	335,223	73,663
	563,345	149,978
	$ 731,404	$ 296,261

Commitments (Note 6)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Ron D. Barbaro, Chair

Joanne DeLaurentiis, Director

CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands of dollars) Year ended March 31, 2000

	2000	1999 (Note 12)
Revenue	**$ 2,634,209**	**$ 2,189,390**
Operating expenses:		
Prizes	1,090,077	1,070,905
Commissions	249,855	161,928
Payroll	92,408	38,286
Marketing	39,073	31,523
Ticket printing and terminal operation	47,452	46,668
Amortization of pre-opening expenditures	9,555	347
Amortization of capital assets	41,844	22,210
Other	25,269	-
Facilities	13,002	7,058
Administration	32,244	30,770
	1,640,779	**1,409,695**
Income before the undernoted:	**993,430**	**779,695**
Payments to charitable organizations (Note 9)	12,293	14,639
Payments to Government of Canada (Note 10)	45,914	38,949
	58,207	53,588
Revenue less expenses	**935,223**	**726,107**
Interest income	12,244	4,945
Net income before the undernoted:	**947,467**	**731,052**
Unusual item (Note 11)	-	(51,193)
Net income	**$ 947,467**	**$ 679,859**

Segmented information (Note 7)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of dollars) Year ended March 31, 2000

	2000	1999 (Note 12)
Cash derived from (applied to):		
Operations:		
Net income	$ 947,467	$ 679,859
Amortization, which does not involve cash	51,399	22,557
Change in non-cash operating working capital	47,917	(8,364)
	1,046,783	694,052
Financing and investing:		
Pre-opening expenditures	(70,392)	(8,421)
Deferred development costs	(8,812)	-
Loans receivable	(63,684)	(1,763)
Capital expenditures	(303,404)	(46,424)
	(446,292)	(56,608)
Other:		
Payments to Province of Ontario	(521,000)	(534,495)
Retroactive change in revenue recognition method for Instant Games (Note 12)	(13,100)	2,000
Change in prize funds on deposit due to change in revenue recognition (Note 12)	-	2,700
	(534,100)	(529,795)
Increase in cash and cash equivalents	66,391	107,649
Cash and cash equivalents, beginning of year	111,231	3,582
Cash and cash equivalents, end of year	**$ 177,622**	**$ 111,231**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN DUE TO PROVINCE OF ONTARIO

(in thousands of dollars) Year ended March 31, 2000

	2000	1999 (Note 12)
Net income	$ 947,467	$ 679,859
Add (deduct):		
Amortization of capital assets	41,844	22,210
Capital expenditures	(303,404)	(46,424)
	(261,560)	(24,214)
Current year amount due	685,907	655,645
Payments to Province of Ontario	(521,000)	(534,495)
Amount due less payments	164,907	121,150
Due to (from) Province of Ontario, beginning of year		
As previously reported	76,315	(44,835)
Retroactive change in revenue recognition method for Instant Games (Note 12)	(13,100)	-
As restated	63,215	(44,835)
Due to Province of Ontario, end of year	**$ 228,122**	**$ 76,315**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF EQUITY IN CAPITAL ASSETS

(in thousands of dollars) Year ended March 31, 2000

	2000	1999
Balance, beginning of year	**$ 73,663**	**$ 49,449**
Capital expenditures	303,404	46,424
Amortization of capital assets	(41,844)	(22,210)
Balance, end of year	**$ 335,223**	**$ 73,663**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

Year ended March 31, 2000

The Ontario Lottery Corporation was incorporated without share capital on February 6, 1975 pursuant to the *Ontario Lottery Corporation Act* (OLCA).

Until March 31, 2000 the Corporation was responsible for the conduct and management of lottery games, charity casinos and racetrack slot operations in Ontario.

On December 21, 1999 the *Ontario Lottery and Gaming Corporation Act, 1999* was passed in the legislature with an effective date of April 1, 2000. On that date the Corporation combined operations with the Ontario Casino Corporation. The resultant corporation continues to carry on business as the **Ontario Lottery and Gaming Corporation**. This corporation continues the management of lottery games, casinos and racetrack slot operations in Ontario.

1. Significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements include the accounts of the Ontario Lottery Corporation and its 100% owned subsidiary, OLC Services Limited which was incorporated September 4, 1998. OLC Services Limited was established to purchase capital assets which are leased to the parent corporation.

(b) Capital assets:

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and are amortized on a straight-line basis according to their estimated useful lives, as follows:

Buildings	10 to 50 years
Furniture and fixtures	10 years
Leasehold improvements	5 to 10 years
Lottery game assets	3 to 10 years
Charity casino and racetrack slot operation gaming assets	5 years

Capital assets are amortized when brought into operations.

(c) Revenue recognition:

Revenues for LOTTARIO, ENCORE, PICK-3, DAILY KENO, ONTARIO 49, LOTTO SUPER 7 and LOTTO 6/49 games are deferred on ticket sales and recognized when the draw takes place. For PRO-LINE, OVER/UNDER, POINT SPREAD and SUPERSTAR BINGO games, revenues are recognized when the ticket is sold to the consumer.

Prior to April 1, 1999, revenues for INSTANT games were recognized when the ticket was distributed to the retailer. In 1999 the Corporation implemented an automated distribution system whereby the retailer activates the tickets as available for sale at the retail location. As a result, revenues for INSTANT games are recognized when the ticket is activated for play by the retailer. Tickets issued as a result of the redemption of free ticket prizes are not recorded as revenue.

Gaming revenue from slot and table game operations represents the net win from gaming activities, which is the difference between amounts earned through gaming wagers less any payouts from those wagers.

(d) Pre-opening expenditures:

Certain expenditures, consisting of compensation, consulting and other costs incurred in connection with the development and opening of racetrack slot operations and charity casinos are deferred and amortized over a three year period commencing with site opening.

(e) Deferred development costs:

Expenditures, consisting of compensation, consulting and other costs incurred in connection with the development of a management information system are deferred and will be amortized over a five year period.

(f) Foreign currency translation:

Monetary assets and liabilities are translated at the year-end exchange rates. Statement of operations items are translated at the rate of exchange in effect at the transaction date. Transaction gains and losses are included in income in the period in which they arise.

(g) Use of estimates:

In conformity with generally accepted accounting principles, management of the Corporation has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period to prepare these financial statements. Actual results could differ from those estimates.

2. Pre-opening expenditures:

Pre-opening expenditures consist of:

			2000	1999
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Charity casinos	$ 25,100	$ 2,491	$ 22,609	$ 1,074
Racetrack slot operations	53,713	7,411	46,302	7,000
	$ 78,813	**$ 9,902**	**$ 68,911**	**$ 8,074**

As at March 31, 2000 the Corporation is committed to the establishment of a further eight racetrack slot operations and the completion of two additional charity casinos.

3. Loans receivable:

The Corporation has loaned funds to racetracks for the purposes of renovating their buildings to accommodate the Corporation's slot operations. The loans are secured by first mortgages and general security agreements, and generally bear interest at the bank's prime rate, repayable over periods ranging from 1 to 10 years. The amounts will be recovered under an agreed upon formula from withholding of commission which would otherwise be payable to the racetracks.

The Corporation is committed to loan a further $5,367,000 under existing loan facilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

Year ended March 31, 2000

4. Capital assets:

In operation:

	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Land	$ 8,421	$ -	$ 8,421	$ 280
Buildings	75,745	4,249	71,496	658
Furniture and fixtures	15,542	8,374	7,168	3,185
Leasehold improvements	56,292	5,059	51,233	1,994
Lottery game assets	164,999	144,848	20,151	30,076
Charity casino and racetrack slot operation gaming assets	117,652	14,240	103,412	5,609
	438,651	176,770	261,881	41,780

Not in operation:

	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Land	5,616	-	5,616	6,802
Buildings	56,738	-	56,738	7,031
Furniture and fixtures	616	-	616	6
Leasehold improvements	371	-	371	-
Charity casino and racetrack slot operation gaming assets	10,001	-	10,001	18,044
	73,342	-	73,342	31,883
	$ 511,993	$ 176,770	$ 335,223	$ 73,663

5. Prize funds unclaimed:

Prize funds unclaimed is represented by:

i) Unclaimed prize funds (net) represents the net prizes anticipated to be claimed in the next year for draws and instant games launched on or after April 1, 1998. This amount includes the gross estimate for prizes outstanding less an estimate for prizes not expected to be claimed by players.

ii) Unclaimed expired prize funds represents expired prize funds for draws and instant games launched prior to March 31, 1998 reserved for redistribution to the players through prizes and bonus draws.

The prize fund unclaimed consists of:

	2000	1999
		(Note 12)
Unclaimed prize funds (net)	$ 14,557	$ 34,533
Unclaimed expired prize funds	-	11,904
	$ 14,557	$ 46,437

6. Commitments:

i) Obligations under operating leases:

The Corporation has entered into several property leases in various locations in Ontario. The future minimum lease payments are approximately as follows:

2001	$ 3,259
2002	2,866
2003	2,866
2004	2,866
2005	2,866
	14,723
Thereafter	16,929
	$ 31,652

ii) Suppliers:

The Corporation has computer hardware and maintenance agreements with annual payments for each of the next three years approximately as follows:

2001	$ 448
2002	452
2003	274
	$ 1,174

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

Year ended March 31, 2000

7. Segmented information:

Sector Activity	Lotteries	Charity Casinos	Racetrack Slot Operations	2000 Total	1999 (Note 12) Total
Revenue	**$ 2,201,413**	**$ 68,001**	**$ 364,795**	**$ 2,634,209**	**$ 2,189,390**
Operating expenses:					
Prizes	1,090,077	-	-	1,090,077	1,070,905
Commissions	159,835	2,784	87,236	249,855	161,928
Payroll	36,290	22,906	33,212	92,408	38,286
Marketing	32,974	1,043	5,056	39,073	31,523
Ticket printing and terminal operation	47,452	-	-	47,452	46,668
Amortization of pre-opening expenditures	-	2,491	7,064	9,555	347
Amortization of capital assets	21,969	6,682	13,193	41,844	22,210
Other	-	4,946	20,323	25,269	-
Facilities	6,345	2,087	4,570	13,002	7,058
Administration	22,552	1,667	8,025	32,244	30,770
	1,417,494	**44,606**	**178,679**	**1,640,779**	**1,409,695**
Income before the undernoted:	**783,919**	**23,395**	**186,116**	**993,430**	**779,695**
Payments to charitable organizations	12,293	-	-	12,293	14,639
Payments to Government of Canada	39,702	1,027	5,185	45,914	38,949
	51,995	**1,027**	**5,185**	**58,207**	**53,588**
Revenue less expenses	**$ 731,924**	**$ 22,368**	**$ 180,931**	**$ 935,223**	**$ 726,107**

8. Pension plan:

The Corporation provides pension benefits for its permanent employees through participation in the Public Service Pension Fund established by the Province of Ontario. The Corporation's share of contributions to the Fund during the year was $8,850,000 (1999 - $2,047,000) and is included in Payroll in the Statement of Operations.

9. Payments to charitable organizations:

Payments to charitable organizations are made under an agreement dated November 8, 1996 between the Corporation, the Provincial Bingo Charitable Activities Association and the Registered Gaming Suppliers of Ontario. The agreement stipulates that a distribution of revenue be made to the charitable organizations participating in the SUPERSTAR BINGO game.

10. Payments to Government of Canada:

The Corporation made the following payments to the Government of Canada:

	2000	1999
Payments on behalf of the Province of Ontario	$ 20,635	$ 20,142
Goods and Services Tax	25,279	18,807
	$ 45,914	$ 38,949

(a) Payment on behalf of the Province of Ontario:

The provincial lottery corporations make remittances to the Government of Canada under an agreement dated August 1979 between the Provincial Governments and the Government of Canada. The agreement stipulates that the Government of Canada will not participate in the sale of lottery tickets.

(b) Goods and Services Tax:

Goods and Services Tax (GST) payments are made under a specific formula on all expenditures, including retailer commissions and excluding payroll costs, payments to charitable organizations and payments to municipalities. This tax is in lieu of the collection of GST on lottery ticket sales and gaming revenue from the consumer.

In addition, the Corporation also pays GST on its expenditures, excluding payroll costs, retailer commissions and certain capital expenditures, at point of purchase. These payments are not recoverable and are included in the respective accounts.

11. Unusual item:

On April 9, 1998, the Province of Ontario assigned the conduct and management of charity casinos and a slot machine program at racetracks to the Corporation. Prior to this, certain operators incurred costs with respect to the establishment of charity casinos in Ontario. The Province of Ontario cancelled the charity casino program on June 26, 1998, and the Corporation undertook to make payment to the selected operators for certain costs. Consequently, the Corporation, on behalf of the Province of Ontario, substantially completed agreements to compensate the operators.

12. Change in method of revenue recognition for Instant Games:

As explained in Note 1 (c), the Corporation changed its method of recognizing revenues for INSTANT games from when the ticket is distributed to the retailer to when the ticket is activated for play by the retailer. This change in method of recognizing revenue has been applied retroactively. The effect of the change in 2000 was to increase net income by approximately $15,100,000. The 1999 comparative income statement has been retroactively restated to reflect the effect of the decrease in 1999 net income of approximately $2,000,000.

13. Comparative amounts:

Certain of the prior year amounts have been restated to conform with the presentation adopted in the current year.

Management's Discussion and Analysis of Financial Condition and Results of Operations as of March 31, 2000

Results of Operations

The Ontario Lottery Corporation had a very successful year as it recorded $2.634 billion in revenue up $444.8 million or 20.3% over 1998-1999. Net income was $947.5 million, an increase of $267.6 million or 39.4%.

The year was one of much growth and expansion for the Corporation. In the lotteries line of business, CASH FOR LIFE, the OLC's first venture into an annuity prize payment game was introduced. Charity casinos were opened in Sault Ste. Marie and Brantford with significant development on the third site, Point Edward. Following the introduction of slot machines at Windsor Raceway in December 1998 racetrack sites were renovated to accommodate slot operations at Hiawatha, Kawartha, Fort Erie, London, Sudbury, Rideau Carleton, Mohawk and Woodbine racetracks.

Lottery revenues for the year at $2.201 billion were $29.5 million or 1.4% over the previous year. In less than three months on the market, sales for the new CASH FOR LIFE Instant game surpassed expectations reaching $75.6 million.

With the opening of Sault Ste. Marie in May 1999 and Brantford in November 1999, revenues from the charity casinos were $68.0 million.

Nine racetrack slots were operational at March 31, 2000 generating $364.8 million in revenues. This was $347.3 million above last year when only Windsor Racetrack slots were operational.

Prizes on lottery revenues were $1.09 billion or 49.5% of revenues. This was slightly higher than prizes in 1999, which were at 49.3% of revenues.

Total commissions on revenues this year were $249.9 million (9.5% of revenues) as compared to $161.9 million (7.4% of revenues) at March 31, 1999. Included in commission's expense at March 31, 2000 was $90.0 million paid to municipalities and racetrack owners. With the additional eight racetrack slot facilities and two charity casinos, the total at March 31, 2000 was $85.8 million higher than last year. Payments to lottery retailers and bingo hall operators were $2.1 million or 1.3% higher than last year due to the increase in lottery revenues.

Payroll expense was $54.1 million or 141.4% higher than last year because of the additional staffing requirements for the operation of nine racetrack sites and two charity casinos. Employee levels increased from 544 in 1999 to 5,172 in 2000.

Payments to charitable organizations are related to the sales of SUPERSTAR BINGO. At March 31, 2000, the total payments were $2.3 million lower than the previous year because of a decrease in sales experienced during 2000. This decline is due to industry-wide declines in the bingo product appeal.

Payments to Government of Canada include payments on behalf of the Province of Ontario and Goods and Services Tax (GST). Total payments of $45.9 million at March 31, 2000 have increased $7.0 million over 1999. This was attributable to higher GST costs incurred because of higher operating costs at the racetracks and charity casinos.

Liquidity and Capital Resources

Cash generated from operations during the year was $1.047 billion. This was an increase of $352.7 million (50.8%) over the $694.1 million generated last year.

For the year ended March 31, 2000, the Corporation expended $63.7 million in financing activities with racetracks and $382.6 million in construction and set-up costs of eight racetrack sites and two charity casinos as well as significant development on a third.

Total net income due to the Province of Ontario at March 31, 2000 was $685.9 million. This was an increase of $30.3 million or 4.6% over 1998-1999.

The Corporation's management believes that existing cash balances and future operating cash flow will be sufficient to fund future operations and capital expenditures.

Salary Disclosure 1999

As a provincial agency, the OLC complies with the province's *Public Sector Disclosure Act, 1996*. The Act requires government agencies to disclose on an annual basis, the names, positions, salaries and taxable benefits of employees paid $100,000 or more a year. The list for 1999 with salaries and benefits, respectively is as follows:

**Ron D. Barbaro, Chair and Chief Executive Officer, $301,319.21, $6,741.54; **Brian Wood, Chief Operating Officer, $181,146.65, $6,608.40; *Garth Manness, President, $172,726.54, $6,131.40; Tom Dalton, Vice President Finance and Administration, $165,504.17, $8,573.48, *Joseph St. Amour, Vice President Information Systems and Technology, $143,080.78, $6,129.85; Walter Fioravanti, Vice President Human Resources, $141,068.06, $9,320.21; *George Sweny, Vice President Sales and Business Unit, $135,941.96, $9,063.34; Paul Micucci, Vice President Racetrack Development, $134,246.85, $3,051.98; **Ingrid Peters, Vice President and General Counsel, $121,061.63, $3,369.41; *James Read, Region Manager, Eastern Ontario, $119,550.26, $1,562.47; *Murray Mold, Team Leader, Off-line Games, $112,664.27, $232.08; Thomas Marinelli, Chief Technology Officer, $106,244.59, $280.35; Robert Longman, Account Executive; $106,244.59, $7,310.59; Adriana Tomie, Controller, Treasury and Payroll, $106,244.59, $280.35; Kenneth Barnett, General Manager, $106,156.45, $3,594.91; David Myers, Director, Sales, $105,800.88, $2,154.90; John Wisternoff, Team Leader, On-line Games, $104,312.85, $259.74; Lisa Bell-Murray, Controller, Accounting, Reporting and Analysis, $103,845.03, $242.64; Nola Kassam, Relationship Manager, Information Technology, $102,946.52, $262.90.

Members of the OLC Board of Directors received per diems totalling $28,900 in 1999-2000.

** These individuals are no longer with the OLC.*

*** OLC/OCC cross-appointments*

Board of Directors – Ontario Lottery Corporation

Ron D. Barbaro, *Chair and Chief Executive Officer*	November 25, 1998 – June 24, 2001
* Robert S. K. Welch, *Vice Chair*	April 27, 1995 - July 29, 2000
* Deceased July 29, 2000	
Peter Cobbold	January 27, 1999 - February 24, 2001
Joanne DeLaurentiis	January 27, 1999 - January 13, 2001
Gerald Huck	January 27, 1999 - May 26, 2001
Francine D. McMullen	May 14, 1997 - March 31, 2000
Louis E. Panontin	December 2, 1999 - December 1, 2002
Sharon Paul	January 27, 1999 - January 13, 2001
Nicholas Perpick	January 27, 1999 - January 12, 2002
Richard A. Raymond	May 14, 1997 - March 31, 2001
Bruce H. Reid	February 25, 1998 - March 31, 2001
Gary Reinblatt	January 27, 1999 - January 12, 2002

Ontario Lottery Corporation
Société des loteries de l'Ontario

An agency of:

Ontario Management Board Secretariat

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